EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

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|---|---|---|---|---|---|
| Austria | Sch24 | Indonesia | Rp3100 | Oman | Or1 |
| Bahrain | Din0.700 | Iran | Rls216 | Philippines | Pso40 |
| Belgium | BFr55 | Israel | NS3.50 | Portugal | Esc150 |
| Cyprus | C£0.90 | Italy | L2000 | Qatar | Qr8.50 |
| Denmark | DKr12.00 | Jordan | Fils1000 | S.Arabia | Rls7.00 |
| Egypt | E£3.25 | Kuwait | Fils.500 | Singapore | S$4.10 |
| Finland | Fmk8.50 | Lebanon | £L400.00 | Spain | Pta165 |
| France | FFr7.50 | Lux | LFr55 | Sweden | SKr12 |
| Germany | DM2.60 | Malaysia | Rin4.25 | Switz | SFr2.50 |
| Greece | Dr150 | Morocco | Dh6.00 | Thailand | [illegible] |
| Hong Kong | HK$12 | Neth | Fl3.25 | Tunisia | Din0.800 |
| Iceland | IKr100 | Nigeria | Naira16 | Turkey | L1400 |
| India | Rup15 | Norway | Nkr12.00 | UAE | Dh7.50 |

**SOUTH AFRICA**
**Strike deaths raise political heat**
Page 4

## World News

### Kohl warns E Germans on opposition poll rights

Mr Helmut Kohl, the West German Chancellor, warned East Germany's Communist leadership that failure to grant the country's opposition equal chances in elections on to held on May 6 would endanger economic help from the West.

Indicating his anxiety over continued emigration from East Germany of well over 1,000 people a day, Mr Kohl also appealed to disaffected East Germans to stay in their country and help to build support for the reform process underway there. Page 14.

**Iran-Iraq peace talks**
Iran and Iraq have agreed to resume negotiations on a peace settlement at talks to be chaired by Moscow, a Soviet spokesman said. Page 4

**Italian vote 'rigged'**
Italian parliamentary committee uncovered *prima facie* evidence that the 1987 general election may have featured the most ambitious ballot rigging exercise since the war. Page 2

**Reunification bid**
South Korea and the US are to scale down a large military exercise next month in an effort to persuade communist North Korea to open talks on reunification. Page 4

**Bonn taken to court**
Campaign in Brussels to clean up the EC's dirty drinking water intensified with the announcement that West Germany is to be taken to the European Court. Page 2

**Kashmir concern**
Indian Prime Minister V.P.Singh expressed concern to Pakistan over rising violence in the north Indian state of Kashmir where pro-Pakistan militants want secession from India. Page 4

**Saudi detentions**
Saudi Arabia has detained hundreds of suspected political opponents without trial in recent years and frequently tortured them, Amnesty International says. Page 4

**Amazon prospectors**
Prospectors of Brazilian Amazonia won agreement from the outgoing Sarney Government to continue operating in the northern Amazon state of Roraima where the Yanomami tribe is threatened. Page 5

**UK moves on drugs**
UK Government is to introduce regulations aimed at widening the definition of drug laundering and curbing the amount of drug money in circulation. Page 6

**Burmese rally**
Hundreds of Burmese rallied outside Rangoon's Electoral Commission to support the candidacy of opposition leader Aung San Suu Kyi for elections due in May.

**Polish miners die**
Gas explosion in Poland's deepest coal mine killed seven miners and badly injured 21.

**Exxon admits fault**
Exxon admitted its staff ignored alarms for six hours when a pipeline began to spill more than 500,000 gallons of oil into New York harbour on January 1. Page 5

**Azerbaijanis swim**
Group of Soviet Azerbaijanis swam across the freezing waters of the Araks river, met relatives on the Iranian side and floated home laden with gifts, the Iranian news agency Irna said.

**East bloc aid bank**
EC tentatively agreed that the Soviet Union should have the same stake as major Western countries in a proposed new development bank for Eastern Europe. Page 2

## Business Summary

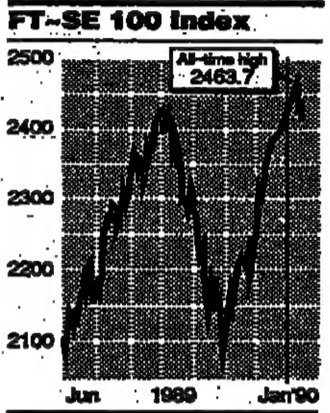
### Comecon gives up role as communist planning body

COMECON, the economic grouping for the communist countries, ended a 41-year effort to integrate its economies and began a transitionary period designed to allow member countries to find their own position in the world market.

A brief communiqué, issued at the conclusion of the two-day session in Sofia, put an end to the organisation's ambition to counter the capitalist world's economy with a centrally-regulated division of labour among its members. Page 14; Editorial Comment, Page 12

GENERAL ELECTRIC of the US next week is to unveil its long-awaited GE-90 engine to equip a new generation of mainly twin-engined, wide-bodied civil aircraft by Boeing, Airbus and McDonnell Douglas.

**FT-SE 100 Index**




INTERNATIONAL and domestic factors combined to deepen uncertainty on the UK stock market, wiping out the 13.6 point gain achieved by the FT-SE Index since the start of the year. Page 27

FRANCE has relaxed its controls on foreign investment in a bid to deal the final blow to its reputation for being unwilling to open its doors to foreign companies. Page 14

WEST Germany said the provisional figure for GNP growth in 1989 was 4 per cent, the highest for 10 years thanks to an export boom. Page 2

HANSON, UK multinational, told shareholders it expected a 20 per cent dividend increase this year. Page 15

US Justice Department challenged the acquisition of Wilkinson Sword's non-European razor blade business by Gillette of the US. Page 15

SNCF, French railway board, was offered a FFr38bn ($9.57bn) government debt write-off, wiping out nearly half its total FFr98bn borrowings. Page 2

AT&T, American Telephone and Telegraph, is suing MCI Communications and its telemarketing subsidiary for alleged use of deceptive methods to capture telephone accounts in the US. Page 5

BDDP, Boulet Dru Dupuy Petit, French advertising agency, announced a £5.2m ($8.6m) offer for 29.9 per cent of Broad Street, UK public relations group. Page 16

BHP, Australia's largest company, may withdraw substantially from the North West Shelf gas and liquids complex, the nation's largest resource project. Page 18

RJR NABISCO, food and tobacco conglomerate, closed the sale of its Del Monte processed foods business for $1.475bn. Page 15

NISSAN, Japanese car maker, is to change its European product strategy in an effort to take the company further up-market. Page 16

HOMEY Group, Taiwan's biggest unlicensed investment house, is stopping all interest payments and withdrawals until March 10, fuelling rumours it is close to bankruptcy. Page 18

# China lifts martial law

By Our Foreign Staff

CHINA last night lifted martial law in the central districts of Peking to try to improve the international image of the country's hard-line leadership which has been widely condemned since the massacre of demonstrators in the capital in June.

The move was announced by Li Peng, the Prime Minister, in a television broadcast yesterday. He also made clear that China's hard-line leadership is determined to continue with its communist policies, turning its back on democratic reforms in eastern Europe.

"No matter what happens in the world, we will unswervingly advance along the socialist road," Li said.

The lifting of martial law, imposed in the capital in May as the demonstrations mounted, is largely a gesture to the US where President George Bush's desire to improve relations with China and lift sanctions has been resisted by Congress.

The decision was welcomed last night by the Bush Administration which has faced considerable criticism for its high-level contacts with the Peking Government since the June massacre.

Vice-President Dan Quayle said it was "a positive step forward for human rights." He claimed it was the beginning of "dividends from the President's policy towards China."

In Hong Kong, which suffered a massive loss of confidence following the upheavals in China, legislators and businessmen also welcomed the lifting of martial law in Peking. They added that it remained a side issue compared to those such as the pace of political development and a Bill of Rights for Hong Kong, which will be handed over to Chinese sovereignty in 1997.

Continued on Page 14

World Bank loans, stage set for midnight, Page 4

Chinese Prime Minister Li Peng announcing the lifting of martial law on television yesterday

# Siemens acquires Nixdorf and shakes up computer industry

By Andrew Fisher in Frankfurt

SIEMENS, the West German electrical and electronics group, yesterday changed the face of Europe's computer industry by acquiring the ailing Nixdorf Computer company.

The takeover, in which Siemens takes an initial 51 per cent of Nixdorf, which has been struggling to survive in the face of mounting losses, creates Europe's largest indigenous computer company.

The new business will have a turnover of $7bn and be significantly larger than Olivetti of Italy, Groupe Bull of France and International Computers (part of STC) of the UK.

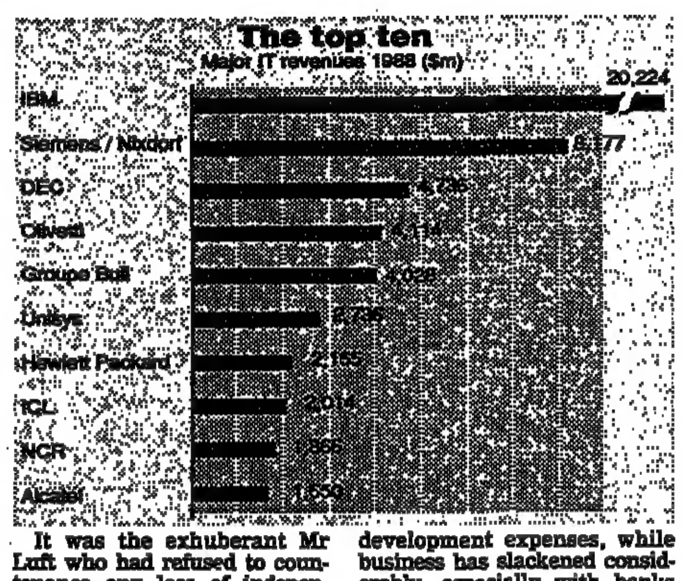
Only International Business Machines, the world's largest computer manufacturer, has a larger operation in Europe.

The move signals Siemens' readiness to take a more aggressive role in the fiercely competitive world computer market and raises the possibility that the industry will be dominated by a small number of large groups by the end of the century.

Despite constant denials that it was up for sale, Nixdorf's decision to give up its independence came as little surprise in the industry. Two years of mounting losses have ended its status as one of Germany's brightest corporate stars with devastating speed.

A further year of heavy losses could have caused a complete collapse, analysts said.

The man who concluded the deal with Siemens was Mr Horst Nasko, 56, the Nixdorf executive who took over as head of the company when Mr Klaus Luft, 48, resigned last November.




It was the exhuberant Mr Luft who had refused to countenance any loss of independence, an attitude which finally became untenable for the company as it fell deeper into the red. In the first nine months of last year, Nixdorf made a pre-tax loss of DM465m ($278m).

Its troubles started about two years ago when it was hit by rising component costs and falling sales prices at a time when the computer industry was rapidly shifting direction and becoming more competitive.

Since then, it has sought to cut costs and move in line with the industry trend towards common industry standards which enable customers to choose from a variety of hardware suppliers rather than sticking with a single manufacturer.

But the shift has involved Nixdorf in high research and development expenses, while business has slackened considerably, especially with banks and financial companies, once a source of profitable orders.

Siemens has an estimated share of about 20 per cent of the German market for big computers, against nearly 70 per cent held by IBM of the US, while Nixdorf has about 25 per cent of the smaller end and Siemens 7 per cent.

But analysts said Nixdorf's profitable telecommunications business, acounting for just over 10 per cent of its turnover of DM5.5bn, could be affected by cartel regulations in view of Siemens' strong presence in this sector.

Siemens will put its own profitable computer and software activities together with Nixdorf in a new company, Siemens-Nixdorf Informationssysteme.

After Siemens' computer assets have been valued, they will be used to acquire further voting shares, giving Siemens up to 80 per cent.

The family of the late Mr Heinz Nixdorf, the founder, owns roughly 25 per cent of the shares, with two foundations holding the rest. The quoted preference shares, the price of which has been held up by takeover speculation, do not form part of the deal. They have recently traded around the DM300 level.

Neither company would put a price on the takeover, but analysts reckoned it could be worth between DM450m and DM600m, bearing in mind Nixdorf's weakening financial situation.

Siemens indicated that it expected few problems from the Federal Cartel Office because there is little overlap with the Nixdorf business.

Siemens said that Nixdorf would continue its own efforts to revive and streamline its business, but declined to spell out the consequences for Nixdorf's work force of nearly 30,000 people or say what would happen to the present Nixdorf management.

One former executive of Nixdorf said, however, that he expected between 6,000 and 8,000 jobs to go as part of the continuing process of cost cutting. Nixdorf has been trimming its employee numbers over the past year or so, having hired around 4,000 people in 1987 and thus run into severe cost problems at a time of rapidly intensifying world competition.

Finding a friend, Page 12; Lex, Page 14; Siemens buys out UK light bulb partner, Page 15; London Stock Exchange, Page 27

# Violence spreads through outlying Soviet republics

By Quentin Peel in Moscow

NATIONALIST tensions and violence spread through the outlying republics of the Soviet Union yesterday, with protest strikes and mass kidnappings in the republic of Azerbaijan and angry demonstrations in Georgia, while thousands of nationalists called for outright independence in the Baltic republic of Lithuania.

The rash of protests came on the eve of a crucial visit to Lithuania by Mr Mikhail Gorbachev, the Soviet leader, as part of a last-ditch effort to persuade the local Communist party not to break away from his ruling Soviet Communist party.

The highly publicised personal intervention by the Soviet leader amounts to a big political gamble to prevent a chain reaction of secession by a string of republican parties, desperate to prove their nationalist credentials at a time of growing resentment of Moscow rule.

The urgency of his move was underlined by the latest evidence of nationalist tensions throughout the southern Caucasus, and in Moldavia on the Romanian border, as well as in the Baltic republics.

Strikes hit all major industrial enterprises in Baku, the Azerbaijan capital, yesterday, in protest at an Armenian republic's move earlier this week to include in its budget the region of Nagorno-Karabakh. The Armenian majority is campaigning to leave Azerbaijan and join Armenia.

The Armenian Communist party secretary and other local officials in the Shaumian region on the edge of Nagorno-Karabakh were reported to have been kidnapped, resulting in the counter-kidnapping of 40 Azerbaijanis, the Armenian supreme Soviet was told.

In Tbilisi, Georgian nationalists are holding daily mass rallies outside the government offices. Radio Moscow reported a nationalist leader calling on the crowd "to overthrow the Communist regime in the republic."

The Tbilisi demonstrators have threatened to meet daily until at least five members of Mr Gorbachev's Politburo arrive in Tbilisi to discuss their grievances.

In Moldavia, where Romanian nationalism has been fuelled by the overthrow of President Nicolae Ceasescu across the border, new disturbances followed the death of a 17-year-old Moldavian youth. Yesterday, the murder of a young Russian was reported outside a restaurant in Kishinev, and the situation in the city was described as tense.

Last night the praesidium of the USSR Supreme Soviet denounced actions in the parliaments of both Armenia and Azerbaijan.

Although no details were published, the praesidium – the country's highest constitutional body – declared the Armenian moves to incorporate Nagorno-Karabakh "unconstitutional," and simultaneously insisted that several Azerbaijani measures to normalise the situation in that ter-

Continued on Page 14

Modrow close to lifting ban, Page 2

# US court setback for foreign companies on unitary taxation

By Peter Riddell in Washington

FOREIGN companies investing in the US yesterday suffered an important setback in their campaign against the unitary system of taxation imposed by California and other US states, and which leads to higher tax bills for multinational companies.

The US Supreme Court yesterday ruled unanimously that foreign companies cannot challenge in federal court the validity of state taxes on their US subsidiaries. This decision was in favour of the Franchise Tax Board of California and against Alcan Aluminium of Canada and ICI, the British parent of ICI Americas.

However, the ruling was merely on the jurisdictional issue of who may sue and in which courts, rather than on the substantive question of the validity of state tax systems.

So British participants in the unitary tax controversy were drawing comfort last night that there is now a forum where the underlying issue can be tested. It will be pursued in Californian courts.

**ICI has told its subsidiaries around the world to economise in preparation for slower growth. Meanwhile, the UK's Chemical Industries Association warned that the sector in Britain would probably grow by only 1 per cent this year against 4 per cent last year. Page 14**

On behalf of the Supreme Court, Justice Byron White said that a foreign parent company may instruct its US subsidiary to sue in state court for a refund, but the foreign parent may not sue in federal court.

This ruling relies on a law that federal district courts should not block state taxes when those challenging the tax have "a plain, speedy and efficient remedy" in a state court.

Alcan and ICI argued that, since the issue is whether California is taxing a portion of worldwide income which may be taxed in other countries also, the suits should be filed by the foreign parent companies and handled in federal court.

The underlying issue, which the Supreme Court has not heard, is of much importance to UK-based and other multinational companies investing in California and other US states, making a difference of hundreds of millions of dollars to tax bills.

Under the unitary system, foreign companies with US subsidiaries are taxed on a proportion of their global profits, rather than the profits declared as earned in the state in question.

The British and other overseas governments have campaigned strongly against unitary taxation. The US State Department has been warned by some countries of the possible imposition of retaliatory taxes if companies with headquarters overseas start to should be taxed by US states on income not related to their US business.



## MARKETS

**STERLING**
**New York closing:**
$1.6625 (1.65665)
**London:**
$1.6625 (1.654)
DM2.7925 (2.7825)
FFr9.505 (9.4775)
SFr2.515 (2.525)
Y241.25 (240.25)
£ Index 88.0 (87.8)

**GOLD**
New York: Comex Feb
$414.2 (406.2)
London:
$409.25 (403.75)

**N SEA OIL** (Argus)
Brent 15-day Feb
$21.125 ($20.30)

Chief price changes yesterday: Page 15

**DOLLAR**
**New York closing:**
DM1.6820 (1.6745)
FFr5.7245 (5.7075)
SFr1.5160 (1.5162)
Y145.555 (144.975)
**London:**
DM1.6795 (1.682)
FFr5.73 (5.73)
SFr1.5125 (1.5265)
Y145.15 (145.20)
$ index 67 (67.1)
Tokyo close: Y145.30

**US LUNCHTIME RATES**
Fed Funds 8¼%
3-mo Treasury Bills: yield: 7.741%
Long Bond: 100⅛
yield: 8.107%

**STOCK INDICES**
**FT-SE 100:**
2,412.6 (−23.7)
**FT Ordinary:**
1,936.4 (−20.1)
**FT-A All-Share:**
1,2077.72 (−0.8%)
**New York closing:**
DJ Ind. Av.
2,750.64 (−15.36)
S&P Comp
345.63 (−3.99)
**Tokyo:** Nikkei
37,696.51 (−254.95)

**LONDON MONEY**
3-month interbank:
closing 15$\frac{3}{32}$ (same)
**Liffe long gilt future:**
Mar 90$\frac{3}{32}$ (90$\frac{17}{32}$)

MARKET REPORTS; CURRENCIES, Page 34; BONDS, Pages 19,22
COMMODITIES, Page 26; EQUITIES, Pages 27 (London) 35 (World)

## CONTENTS

**London loses its grip on European transport hub**

London is in danger of losing its place as Europe's premier airline crossroad, warns rail chief Sir Robert Reid. Unless surface links to London's three airports are improved, first place could go to Paris, Brussels or Amsterdam.
Page 6

# Officials to discuss East Europe development bank

**By Peter Norman**

SENIOR officials from the world's leading industrial countries and the nations of the eastern bloc have called a meeting in Paris next Monday and Tuesday to discuss the formation of a development bank for Eastern Europe.

The European Bank for Reconstruction and Development in Eastern Europe was given the go-ahead by European Community heads of government at their summit meeting in Strasbourg last month.

France has proposed that the bank should be capitalised at Ecu 15bn ($18bn). Other countries, however, have suggested that a more modest capitalisation of Ecu 5bn or Ecu 10bn would be more suitable.

It is envisaged that the bank should be 51 per cent-owned by EC countries and based in one of the Community member states.

Senior Western officials stressed that the contributing countries want to avoid the mistakes of the 1970s when commercial banks in the West lent billions of dollars to East European countries such as Poland without any resulting improvement in the east European economies.

Britain and several other Western nations believe that the bank should begin operating with adequate capital before deciding on a final sum in the light of experience.

● The EC has tentatively agreed that the Soviet Union should have the same stake as major Western countries in a proposed new development bank for Eastern Europe, diplomats said yesterday, Reuter reports from Brussels.

But in return for an 8.5 per cent stake in the European Bank for Reconstruction and Develoment, Moscow would have to use convertible currency for its share of the proposed capital.

The bank is the boldest initiative so far by the West to support the transition in Eastern Europe.

The Community believes the bank's main objective should be to build up the private sector in Eastern Europe and that this should be written into its by laws, EC officials said.

The bank would lend, guarantee outside loans and could take equity stakes in businesses. The proposed capital structure would give the countries of Eastern Europe a say in its operations.

The French Government has said the bank could loan billions of dollars a year, but no precise figures have yet been worked out.

"We still have a lot of homework to do," said a Belgian financial official who attended Tuesday's meeting.

# Paris relaxes foreign investment controls

**By William Dawkins in Paris**

FRANCE significantly relaxed its controls on foreign investment yesterday, in an attempt to deal the final blow to its reputation for being unwilling to open its doors to large foreign companies.

The reform, agreed by the Council of Ministers, is sponsored by Mr Pierre Bérégovoy, the Finance Minister, who has long argued that France was doing itself an economic disservice by failing to attract enough foreign investment.

It confirms the gradual growth of more liberal economic thinking in the Socialist Government.

Under the new rules, companies from outside the European Community must notify the Finance Ministry in advance for investments of more than FFr10m ($1.8m), as before.

But the French authorities will be obliged to reply within a month, rather than having no time limit as previously.

In another reform, foreign investors can assume they have the go-ahead if the ministry fails to make up its mind. Investments related to national defence, public health and order are excluded.

No authorisation will now be needed for investments from France's EC partners, so long as the companies making the investment have turnovers exceeding FFr1bn and are more than three years old.

Outside that category, smaller EC companies must still notify, but they will get a reply in two weeks, instead of two months as under the old system.

The impact of the change is more psychological than practical. It is intended to signal a real shift in policy from recent years, when several large foreign takeovers were delayed by government objections.

Officials suspect an unquantifiable number of potential foreign investors were frightened away.


Nationalist demonstrators in the Lithuanian capital of Vilnius yesterday in advance of Soviet President Mikhail Gorbachev's visit

# West German growth highest for 10 years

**By David Goodhart in Bonn**

WEST Germany yesterday announced that the provisional figure for growth in Gross National Product in 1989 was 4 per cent, the highest for 10 years thanks to booming exports and investment.

Some analysts believe the final figure could reach 4.25 per cent.

Growth has also been stimulated by mild winters, higher interest income from abroad thanks to outflow of capital in response to the aborted withholding tax, and, most recently, the boost to domestic consumption from the stream of visitors and immigrants from East Germany.

Nonetheless personal consumption rose only 1.6 per cent in 1989 while personal income rose 5.7 per cent indicating a sharp rise in the savings ratio.

Metal industry negotiations between the union I G Metall and metal industry employers began yesterday in the Hamburg and *Schleswig-Holstein* regions. They continue next week in the key area of Baden-Württemberg.

# Bonn faces EC court case over dirty water

**By Tim Dickson in Brussels**

THE campaign in Brussels to clean up the European Community's dirty drinking water intensified yesterday with the announcement that West Germany is to be taken to the European Court.

The European Commission says Bonn has failed to implement standards of drinking water purity agreed in 1980 and has unilaterally granted itself exemptions which are not permitted under the relevant directive.

The move will embarrass the Germans in view of their tough domestic anti-pollution measures and the strength of the "green" lobby across the political spectrum.

It also underlines the Commission's argument that, contrary to the view of British ministers and officials in the build-up to last year's water privatisation, the decision to take action against the UK *Government was part of a* much wider attack.

Legal proceedings have been started against well over half the member states. Belgium and France are already before the Luxembourg-based court, while Luxembourg and Italy have been sent "reasoned opinions" which may also end with legal action. Ireland, the Netherlands and Spain have been sent warning letters.

Under the requirements of the 1980 directive, EC countries should have translated the quality standards into their national legislation by 1982 and carried out the necessary clean-up by 1985.

The Commission says that Germany only adapted its national legislation in 1986 and "unilaterally purported to accord itself a further delay until October, 1989, to comply with the parameter which sets a ceiling on pesticide levels."

Brussels is concerned that Article 4 of the German Trinkwasserverordnung allows for "derogations" from Community *legislation which is out*side the scope of the directive, and that Bonn does not intend to do anything about it.

# France to join Nato plan on arms

**By David White, Defence Correspondent, in Paris**

*FRANCE will participate with* the mainstream Nato members in a plan to redistribute equipment among allied armies and air forces to prevent new weapons being sacrificed under a conventional arms reduction treaty.

The scheme would involve exchanges between allies so that only the oldest equipment is slated for destruction under the cuts being negotiated between Nato and Warsaw Pact countries in Vienna.

The transfers would, for instance, enable a country such as Turkey to modernise *its armoured units by receiving* second-hand but modern tanks *from other allies. The Warsaw* Pact is also expected to ensure cuts are applied to its oldest weapons.

A senior French military official said the decision to join in talks on the scheme reflected concern that other countries, especially the US, might use the arms transfers to corner future Nato export markets by creating a dependence on their equipment.

The French decision marks something of a departure from the country's independence from Nato's military planning process. Since 1966, France has *been outside the Alliance's* integrated military command *structure, with* no forces permanently at the disposal of Nato commanders.

Other Nato Defence Ministers decided at the meeting of the Alliance's Defence Planning Committee in Brussels last November to back the so-called "cascading" scheme, despite the complexity of implementing it. France is not a member of the committee.

To work out the complex transfer process, Nato has reinforced the High Level Task Force responsible for its negotiating stance in Vienna.

Issues still to be resolved *include financial arrangements* for the arms transfers. How treaty cuts should be distributed among allies has also still to be decided. The French official made clear that Paris was opposed to proportional cuts being applied to its tank forces. He said France's 1,400 tanks – being replaced by the new Leclerc model – represented only 2 per cent of the total in the Atlantic-to-Urals region and that there were "very few to reduce."

Meanwhile, the Nato military reacted coolly this week to a proposal by East German Communist leader Gregor Gysi for sharp reductions in mili*tary forces in East and West* Germany.

# Chirac faces opposition leadership battle

**By George Graham in Paris**

FRANCE'S right wing opposition has erupted into civil war with a battle for control of the Rassemblement Pour la République (RPR), the conservative Gaullist party.

Two former RPR ministers have launched an attack on Mr Jacques Chirac, the RPR's twice defeated presidential candidate, threatening to split what was once the right's strongest, best organised and most unified party.

Mr Charles Pasqua, the Mediterranean wheeler dealer who leads the RPR in the Senate, has at first sight little in common with Mr Philippe Séguin, the rebellious mayor of Epinal in the Vosges. Mr Pasqua is an old style hanger and flogger from the far right of the party, while Mr Séguin stands more on its modernist left.

Both, however, represent the populist tradition of Gaullism, and their alliance stands opposed to the RPR's drift into an economic liberalism where it is indistinguishable from the other parties of the right.

Their joint call to "renew, transform and enlarge" the Gaullist movement represents a clear challenge to the leadership of Mr Chirac, who has never really recovered from his resounding defeat by President François Mitterrand in the presidential election of May 1988.

There is no overt personal attack on Mr Chirac. In fact, Mr Séguin and Mr Pasqua say that he is still the right's best presidential candidate, but they say they want him to distance himself from the party apparatus.

But the party apparatus has taken their initiative as "an aggression", and Mr Chirac has already launched a defensive campaign. He has made it clear he has no intention of stepping down: he has formally declared that he will stand again for the chairmanship of the RPR at its party congress next month.

The battle for control of the RPR reflects a similar power struggle within the rival Socialist party.

There is no parallel assault on President Mitterrand himself, but the candidates for his succession are busily jockeying for position in the anticipation that he will not run for a third term of office in 1995, the socialist party congress at Rennes in March promises to turn into an all out fight between the main contenders.

With these struggles in progress, the next few months may decisively shape the cast list, both on the right and on the left, for France's next cycle of national elections in 1993-95.

# Portugal increases minimum wage

**By Patrick Blum in Lisbon**

PORTUGAL has announced rises of between 11 and 16.7 per cent in the national minimum wage, following recent increases in the prices of foods and services.

The combination of higher wages, food, transport and utility prices is raising fears of another bout of high inflation which is running at 12 per cent.

The minimum monthly salary for workers in industry, commerce and services goes up 11.1 per cent from Es31,500 to Es35,000 ($236); that for agricultural workers rises 15 per cent from Es30,000 to Es34,500 ($233), and for domestic staff by 16.7 per cent from Es24,000 to Es28,000 ($189).

The Government aims to gradually bring into line the *minimum wage structure* to unify salaries in industry and agriculture. According to official figures, of a workforce of just above 3m, 7.2 per cent or 220,000 workers receive the minimum wage.

At the end of December the Government decreed increases averaging almost 8 per cent, with the price of basic foods such as bread going up 5.9 per cent, of gas (up 11.3 per cent), and city transport (up 9.9 per cent).

The rise in the minimum wage is the second in six *months. Under trade union* pressure the Government agreed to rises last July to offset a rise in the inflation rate to 13 per cent, more than twice the official forecasts. Inflation dropped back to around 11 per cent towards the end of the year, but has been under upward pressure since.

# Swedes face threat of pay curbs

**By Robert Taylor in Stockholm**

THE Swedish government threatened yesterday to take unspecified measures to penalise high wage increases in 1990 and 1991 if a national incomes agreement is not reached within a month. The Government believes the agreement, between employers and trade unions, should be in line with *what it believes the country* can afford.

Mr Kjell-Olof Feldt, finance minister, introduced this year's budget warning that the Swedish economy had "reached a critical stage," calling the growing current account deficit and worsening competitiveness "unacceptable".

# Paris offers railway board FFr38bn debt write-off

**By Our Correspondent in Paris**

THE SNCF, the French railway board, was yesterday offered a FFr38bn (£4bn) government debt write-off, wiping out nearly half its total FFr98bn borrowings. It also announced plans to spend more than FFr100bn on its networks over the next five years.

The scheme, agreed between Mr Michel Delebarre, France's Transport Minister, Mr Jacques Fournier, *SNCF's* president and Mr Delebarre, will be forwarded to the European Commission for vetting under European Commission state aid controls, said SNCF officials. They did not expect Brussels to challenge the deal.

Mr Karel Van Mierte, the European Commissioner for Transport, is examining a similar plan by the West German Government to write off DM12.6bn (£4.5bn) of the debts of its state railways.

"We can now manage ourselves like an adult enterprise, capable of assuring our financial balance every year on the basis of sound operating conditions," said Mr Fournier.

The debt write-off is part of the SNCF's second five-year plan for 1990 to 1994, during which it plans to invest FFr79.6bn of its own cash, rising to FFr104.3bn after other contributions from the state and local authorities.

*That* represents a 57 per cent increase on the FFr66.5bn for the SNCF's on the first five-year plan which ran out at the end of last month.

Within this, the largest single chunk, FFr45.5bn, has been earmarked for France's famous Trains à Grande Vitesse (TGV) network.

Another FFr43.1bn will be used for modernising the existing networks, with the remaining FFr15.7bn for improving Parisian suburban railways, more than double the amount allocated in the last plan.

Mr Fournier said the write-off would be the last state aid for SNCF, which was now financially strong enough to live without such assistance.

"From now on, the situation is healthy: instead of borrowing to pay off our old debts, we will only do it to finance productive investments," he said.

The write-off covers losses built up since 1974, which swung from a Ffr971m operating loss in 1988 to a FFr200m profit in 1989, its first surplus for many years, mainly thanks productivity gains from a 20 per cent reduction in staff numbers over the past five years.

The FFr38m debt is being shifted into an account controlled by the state and which will be gradually written down over the next 10 to 12 years.

The SNCF, meanwhile, will make an annual contribution of FFr100m to the debt account.

# Japan and EC 'to strengthen relationship'

**By David Buchan in Brussels**

JAPAN and the European Commission yesterday agreed to hold more regular high level talks to try to make their mutual relationship as strong as both enjoy with the US.

This commitment, designed to start bearing fruit in ministerial talks in June, came after a frank exchange between Mr Toshiki Kaifu, Japan's Prime Minister, and Mr Jacques Delors, the Commission president, in which the latter expressed his disappointment with attempts in recent years to broaden the dialogue

After Mr Delors and Mr Frans Andriessen, the External Affairs Commissioner, voiced their concern about Japan and the US settling their differences bilaterally with untoward consequences for third parties like the European Community, Mr Kaifu undertook to put a report on US-Japanese structural problems on the agenda of the forthcoming EC-Japanese talks. *This report will* be on the so-called structural impediments initiative, proposed by Washington to try to reduce its chronic trade deficit with Japan.

Touching on Japanese car imports, currently the touchiest issue in the EC's Ecus 56bn a year two-way trade with Japan, Mr Delors cautioned the Japanese leader that the Community could only gradually open up its market totally to Japanese cars. He did not, however, raise the subject of the recent decision by Suzuki, the Japanese car company, to start assembling cars in Hungary.

# Ballot fraud evidence fails to impress Rome

**By John Wyles in Rome**

AFTER a two-and-a-half year inquiry, an *Italian* parliamentary committee has uncovered *prima facie* evidence that the 1987 general election may have featured the most ambitious ballot rigging exercise since the war. In a breathtaking display of indifference to public opinion, the governing majority on the committee has voted to take no further action.

Not surprisingly, the first furious political row of the decade was kindling nicely last night with demands from both the left and the extreme right for an intervention by President Francesco Cossiga and Mrs Nilde Iotti, the president of the Camera, or lower house of parliament.

"This could represent a very grave violation and an extremely risky, if not moral precedent for the credibility of elections and of parliamentary institutions," said Mr Antonio Patuelli, a Liberal Party leader, yesterday.

The committee's decision has to be confirmed by the Camera and the growing outcry could force a change of heart among the governing parties. On Tuesday evening, their representatives voted into a minority both the chairman of the committee, a member of the neo-fascist MSI party, and the author of its report, Mr Giancarlo Savoldi, a Green, who has since resigned his post on the committee.

Mr Savoldi's report suggests that just about every known fraud was used in "counting" the votes in the Naples-Caserta constituency in 1987. Blank voting papers ballotted – an honourable Italian tradition – were filled in by obviously the same hand and other ballot papers altered so as to change the distribution of preference votes, while many of the giant constituency's 5,081 sections filed false returns.

The cynical were saying yesterday that the political implications were too serious for the committee's vote to be otherwise. The 42 representatives for the constituency include such heavyweight names as Mr Bettino Craxi, the Socialist leader, Mr Antonio Gava, the Minister of the Interior and Mr Vincenzo Scotti, chairman of the DC's parliamentary party. None of these would have been happy at a fresh vote.

# The unsettling prospect of a superpower-free Europe

## If US troops went home as part of a deal with Moscow to do the same, could it ever be persuaded in a crisis to return?

**IAN DAVIDSON ON EUROPE**

UNTIL the middle of last year, it sometimes seemed reasonable to discuss events in the Soviet Union and Eastern Europe in rather basic terms, focussed on the towering figure of Mr Mikhail Gorbachev. We used to ask ourselves: Will perestroika succeed? If not, can Mr Gorbachev survive? Should the West help him? Can the West help him? And so on.

The wave of revolutions which toppled the East European Communist regimes during the closing months of 1989, however, has transformed the picture. Mr Gorbachev is still the dominant actor on the Eastern stage, no doubt one of the most considerable statesmen of modern history. He remains central to the emergence of the post-Communist era. But with the upheavals in the countries of Eastern Europe, and the growing nationalist pressures inside the Soviet Union, we face a situation of growing multi-dimensional complexity.

There is suddenly a multiplicity of political actors in Eastern Europe, whose only raison d'être is change, reform and national independence. It follows that the pace of change in the East, which was already moving along at an unprecedented trot, is now likely to break into a brisk canter. Economic reform in many cases is likely to be slow and painful, perhaps unsuccessful; therefore the new contenders for democratic power need to seek early dividends by emphasising the political break with the past, and especially national autonomy vis-à-vis the Soviet Union.

From the point of view of Western values, this is desirable. One of the main objections to the Soviet system has been its autocratic, imperial character, enslaving the countries of Eastern Europe to a foreign power and an alien creed. Any meaningful political reform will therefore start with vocal demands for self-determination. The problem is that the sudden eruption of impatient self-determination on all sides is going to make the managed development of a stable new order on the European continent even more fiendishly difficult.

Hitherto, the Soviet Union and its East European allies have sought to reassure each other and the rest of the world, by claiming to buttress up the dykes and fortifications of the old European framework, so that the evolution of the new order could take place inside it. The East European countries would be free to engage in virtually any kind of domestic reform; but they would remain loyal members of the Warsaw Pact. The international order in Europe, including existing frontiers, would be preserved by continued respect for the Helsinki agreement and the Conference on Security and Co-operation in Europe, and hence recognition of the US right to be a full member of the European system.

Thus Mr Gorbachev sought to combine maximum freedom for political and economic reform, with maximum guarantees for peace and security, through the stability of the geo-political order in Europe. From the start these well-intentioned precautions smacked of some element of make-believe. The Soviet leadership might hope that it could combine perestroika with the Warsaw Pact; but everyone really knew that in military terms the Communist alliance was now little more than a polite fiction.

This is being exposed ever more nakedly, under the growing impetus of the disarmament tide. The Communist Party boss in East Germany has called for the removal of all Soviet troops by the end of the decade; and the Czech Foreign Minister has called for the removal of all Soviet troops by the end of this year. These are scarcely the gestures of loyal allies, considering that substantial reductions in Soviet troop strengths are already under negotiation with the West in the Vienna conventional force talks.

In principle, anything which removes Soviet troops from Eastern Europe must be in the interests of the West. It is those troops which for 40 years have posed a threat to Western Europe, and despite the perestroika and detente introduced by Mr Gorbachev, the Soviet Union remains a superpower with a long history of strategic expansion.

Lurking behind this incontrovertible principle, however, is a niggling doubt. Supposing the Soviet Union were to agree to remove all its forces from Eastern Europe, but only on condition that the US removed all *its* forces from Western Europe, what then? Would Western Europe, or the US, be happy with such a bargain? Would it be diplomatically possible to turn it down, and thus in effect tell the newly-democratic governments of Eastern Europe that the West was endorsing the continued presence of Soviet forces on their territory, against their will?

In military terms, this might be a reasonable bargain for the West. The return home of all Soviet troops, the maintenance of adequate verification to ensure that they did not return, and the national independence of the democratising governments in Eastern Europe, would all be factors reducing the potential threat to Western Europe. Indeed, the threat might be reduced to such a low level, that Nato might be able to contemplate shifting from a forward-defence, instant-response strategy, to a strategy based on long strategic warning times, mobilisation and reinforcement from the US.

But what would be the *strategic* implications of such a deal? There would be fears in the North Atlantic Treaty Organisationthat the departure of US troops would only be a short step from the abandonment by the US of its defence commitment to Western Europe. Once gone, could they ever be persuaded in a crisis to return? Even with a reduced threat from the East, could European Nato unite sufficiently to meet it, or would Western European countries be stampeded into a rush for the exit?

But the departure of American troops would also place Mr Gorbachev in a profound strategic quandary. Even Leonid Brezhnev appears to have decided in the early 1970s that it was safer to keep the US in Europe, and Mr Gorbachev currently explicitly assigns a European role to the US in the Helsinki system.

On the other hand, Soviet and other foreign governments are evidently impressed by the momentum towards a more united Europe, as confirmed by the Strasbourg summit last month. If Soviet planners still contemplate the possibility of an East-West military conflict, the worst scenario from their point of view is one where they would face a united Europe with a significant arsenal of its own nuclear weapons, while the US had the option to stand aside.

Diplomacy may ensure that neither East nor West have to face the starkest choices; or it may not. Keeping control will test the system near breaking point. What is more, disarmament is only one of a dozen major issues forcing the pace of change over the next decade, and they are all equally difficult.

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# Norway to boost gas sales to West Germany

By Karen Fossli in Oslo

NORWAY is to supply West Germany with an additional 80bn to 100bn cubic metres (bcm) of gas in a deal which could be worth as much as NKr70bn (£6.6bn).

Ruhrgas and Thyssengas, two West German gas companies, have exercised two of three purchase options calling for a boost in annual supplies of between 4 and 5 bcm from 1993 for 20 years.

The deal increases Norway's market share in West Germany, its biggest market for natural gas, from 20 to 25 per cent. The contract price is indexed to world crude oil prices.

In 1986 Norway signed a gas supply contract worth $60bn with a consortium of European buyers including West Germany, France, the Netherlands and Belgium, which have for the last 10 years imported Norwegian gas. The 1986 contract, which has purchase options, calls for gas supply from the Norwegian North Sea Sleipner and Troll fields.

By the year 2000 Norway will supply the consortium with between 25 and 26 bcm annually, from Sleipner starting in 1993, followed from 1996 by Troll, the world's largest gas-field to be developed.

The two West German companies have a third purchase option which must be exercised by July 1995. France, another Norwegian gas importer, declined to exercise by last December a purchase option but Belgium and the Netherlands may exercise purchase options which could bring total Norwegian supply to the continent by 2005 up to 40bcm.

The new deal is a breakthrough for Norway, which has enough gas reserves to meet west European demand for the next 100 years at the current annual production rate of about 25 bcm. In conjunction with the development of the Sleipner/Troll gasfields, Norway is constructing a 806 km, 40-inch diameter submarine pipeline – the Zeepipe – from the Sleipner field to Zeebrugge, Belgium.

# UK group to promote Colombian coal

A UK fuel trading company owned partly by British Coal is planning to promote sales of Colombian coal in Europe and Britain, Maurice Samuelson reports.

Inter-Continental Fuels (ICF), based at North Cheam, Surrey, has set up its first overseas subsidiary in Bogotá to develop exports of coal from Colombia and other Central American countries.

The subsidiary, ICF Americas, will be headed by Mr Roberto Iregui, senior marketing vice president of Carbocol, Colombia's State coal corporation. Although ICF will seek orders from Britain's privatised electricity industry, both ICF and British Coal deny that this conflicts with British Coal's own domestic sales efforts.

Mr Will Sketchley, ICF's managing director, says that any sales of Colombian coal in Britain would be outside the bulk power station contracts which British Coal has secured for the next three years.

But demand for Colombian coal is growing because of its low sulphur content and the need for European electricity utilities to meet ever more stringent standards on emissions of sulphur dioxide.

# West slow to join in reforging Soviet industry

## Foreign investment is not having an impact on manufacturing, writes John Wyles

MORE THAN 1,000 joint ventures between Soviet and Western companies are planned or operating, yet it is becoming clear that, without changes, they will not play a big role in transforming Soviet manufacturing industry into a market-oriented, internationally competitive force.

Indeed, manufacturing companies make up only a small part of the authorised joint ventures. Exact figures have not been made available but, according to one Soviet official, of the 400 joint ventures operating in or planned for the Moscow area only 10 per cent will be manufacturing activities. Many are in services, such as the duty free shop at Leningrad airport which can exploit a captive clientele of hard currency spending tourists.

Soviet officials are disappointed that there have not been more proposals from big Western manufacturing companies. They are also becoming aware that further legislation will be needed to attract them.

The Ministry of Finance in Moscow is working on a comprehensive law, which should surface in the next few weeks, designed both to increase incentives for foreign manufacturers and to simplify taxation and other financial regulations governing joint enterprises.

Existing difficulties, focused above all on the non-convertibility of the rouble and the problems of obtaining foreign exchange, were given an airing last week during a conference organised by the Leningrad International Management Institute. The gathering was a ground-breaking enterprise by a joint venture between Leningrad University and the Bocconi University of Milan attended by Western business people, lawyers and academics and their counterparts from Leningrad and Moscow.

Their discussion on perestroika and the implications of doing business with Soviet companies was encouragingly free-wheeling. Soviet participants were frank about past failures and present economic difficulties while the Western side seized the opportunity to counsel a tougher approach to economic reform and, specifically, to lobby for an improved environment for joint ventures.

Much criticism centred on the ambiguity of existing legislation governing tax obligations and on accounting regulations. Also much lamented by Western business was the non-existence of a law of ownership offering protection guarantees for foreign investors and procedures for repatriating assets in the event of the bankruptcy of a joint venture. Above all, the discussion was dominated by a pleading for new approaches to the foreign exchange problem.

At the moment, the foreign partner's profits must derive from a joint venture's hard currency earnings. This imposes a precise limitation on the possible nature of a manufacturing joint venture – its products must be of a quality and price capable of finding a market in the West – and, in the case of consumer goods, manufacturing also serves to divert supply away from a Soviet market hugely starved of such products.

Mr Richard Dean, who runs the Moscow office of the US law firm Coudert Brothers, argues that the Soviet Government needs to accept that manufacturing joint ventures may be substituting for imports and those that do so should share in the foreign exchange saving.

"Moscow should focus on food processing and medical equipment manufacturing and guarantee foreign exchange for rouble profits," he says.

Some foreign partners in existing Soviet joint ventures are spending rouble earnings on Soviet products which they then export. Tambrands, for example, which is involved in a sanitary wear manufacturing operation in the Ukraine, is purchasing Soviet cotton for export.

**Soviet officials are disappointed that there have not been more proposals from big Western manufacturing companies. They are also becoming aware that further legislation will be needed to attract them and are working on new incentives**

How this company handles its rouble earnings is not clear since Mr Dean claims to have discovered a Soviet regulation which prohibits foreign organisations from holding rouble bank accounts. He says that lack of clarity in the laws is a big problem, as also is the Soviet inability to interprete them flexibly – "the dominant mental attitude is that unless something is specifically approved by regulation, then it must be prohibited."

Mr Vittorio Maisto, an Italian lawyer attached to the Bocconi, identified a number of black holes in Soviet accounting rules as they could affect foreign partners in joint ventures. He says it is not clear whether cash or accrual principles are applicable to their accounts nor which corporate expenditures are tax deductible.

Moreover, there is no uniform rule on the taxation of a foreign partner's profits. Variations have appeared according to the terms of Soviet taxation treaties with partners' home countries. Thus, a British or a Cypriot partner would be exempt from the 20 per cent withholding tax on transferred profits while an Italian pays 15 per cent.

Moreover, there is no relief under Soviet law for taxes paid in hard currency overseas by a joint venture's subsidiary, and therefore no incentive to distribute products abroad through such a subsidiary.

Mr O. Mozaiskov of Gosbank, the Soviet central bank, told the conference that "the proper conditions do not exist for repatriating profits" and that problems would have to be solved on a case-by-case basis. He was equally forthright on the distant prospect of rouble convertibility saying that the Soviet Union must first have a capital market to encourage foreign investment in Soviet assets.

# Marconi, Turkey sign £96m order

By Jim Bodgener in Ankara

THE Turkish government and a group led by the UK's Marconi Communications, a GEC-Marconi company, yesterday signed a contract valued at £96m for the local manufacture of battlefield wireless systems. Manufacturing in Ankara could start late this year.

To fulfil the contract Marconi has formed a Turkish company called Marconi Kominikasyon with two other local groups, HAS Holdings and Cihan Elektronik Sanayii.

The two sides overcame a last-minute difficulty on Tuesday over Turkish repayment guarantees for credits supplied to the project covered by the UK's Export Credits Guarantee Department.

Confusion had arisen over the change of the client, Defence Industry Support and Development Administration, into a government undersecretariat recently.

The signing ceremony confirms the preliminary agreement reached nearly a year ago with Marconi, to make 3,000 of its Scimitar HF-SSB systems over seven years. The requirement could extend to some 7,000 radios in all over 15 years in contracts valued at over £200m. The wireless system uses a frequency-hopping device to elude enemy detection and listening-in.

The award forms part of Turkey's drive to develop its own defence manufacturing industry. It follows a $1bn contract for the local manufacture of armoured personnel carriers by FMC of the US and Turkey's Nurol.

# Fear of row halted Paris frigate deal

By William Dawkins in Paris

THE FRENCH Government abandoned plans to sell more than FFr10bn (£1.06bn) worth of light unarmed frigates to Taiwan to "avoid complicating relations in the region," said officials yesterday.

The surprise decision came just a day before a French delegation was due to fly to Taipei to sign the deal, for the supply of six of the latest 1,200-tonne La Fayette class frigates, made by France's naval dockyards.

It brings to an end a diplomatic wrangle in which France's already uneasy relations with China looked set to plunge to a new low.

A week earlier, the Paris Government had authorised the deal, but had second thoughts after China warned that it considered this constituted serious interference in its internal affairs. The change of heart was decided between President François Mitterrand and Mr Michel Rocard, the Prime Minister, who considered it "wiser not to go ahead in the circumstances," said officials.

The Defence Ministry had been extremely keen to proceed with the deal, worth more than a quarter of an entire year's arms exports at a time when the French defence industry, like its competitors, is seeing its traditional markets in long term decline.

However, the Foreign Ministry had urged a more cautious stand on the grounds that broader commercial interests could be hurt badly by a row with China.

# Sanyo in £75m Soviet deal

By Robert Thomson in Tokyo

A JAPANESE consortium has agreed to export an Y18bn (£75m) refrigerator compressor plant to the Soviet Union, Mr Satoshi Iue, president of Sanyo Electric, the consumer electronics maker, announced yesterday.

Sanyo Electric, Nissho Iwai Corporation, the trading house, and Toyo Engineering, which has a strong presence in Eastern Europe, have agreed to provide equipment for and assist in the assembly of the factory in Lithuania.

It is expected that the plant will produce about 1m compressors annually for refrigerators as part of the Soviet Union's drive to improve the quality and quantity of consumer durables.

The consortium has agreed to refurbish an old compressor plat, which will also have a production target of 1m units annually.

Negotiations for the contract began in late 1988 and it is believed that Soviet partner, Teknoproimport, wanted to establish a joint production venture, whereas the Japanese companies preferred to sell the equipment.

# Sales of imported cars in Japan rise by 35%

By Robert Thomson

SALES of imported cars in Japan rose by 35.2 per cent last year to 182,168 units, according to figures released yesterday by the Japan Automobile Importers' Association. The announcement comes at a time when the US has been claiming that Japan has been unfairly restricting imports.

West German makers were the most successful exporters, with Volkswagen, BMW and Daimler-Benz occupying the first three positions, while sales of larger imported cars, with an engine displacement of more than 2,000cc, rose by 60.5 per cent to 88,659 units.

However, Mr Robert Mosbacher, the US Commerce Secretary, last weekend criticised Japan for restricting sales of foreign cars, particularly, US vehicles.

Mr Mosbacher could again raise the issued at meeting scheduled for today with Mr Hikaru Matsunaga, Japan's Minister of International Trade and Industry, who is visiting the US.

Imported cars amount to about 5 per cent of total sales in Japan, with West German accounting for about 65 per cent of that figure, followed by the US, the UK, France, Sweden and Italy. Volkswagen's sales rose 24.7 per cent to 48,960 units, although sales of imported vehicles with an engine displacement of less that 2,000cc rose only 18.8 per cent.

Apart from a growing Japanese taste for imported cars, the increase in sales last year reflected the impact of tax changes that favoured luxury cars and the movement towards the luxury end of the market by Japanese consumers.

# Moscow to chair Iran-Iraq peace talks

**By Quentin Peel in Moscow**

IRAN and Iraq have agreed to resume negotiations on a peace settlement, at talks to be chaired by the Soviet Union, a Soviet spokesman announced yesterday.

The breakthrough came in a message from Mr Ali Akbar Velayati, the Iranian Foreign Minister, to Mr Eduard Shevardnadze, his Soviet counterpart, expressing his willingness to attend the talks in the Soviet Union.

Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, said that Iraq had already agreed to reopen negotiations.

He said the initiative had been agreed with Mr Javier Perez de Cuellar, the UN Secretary General, and did not mean any substitution for the UN peace efforts in the region. UN officials confirmed last night that they were aware of Soviet moves to help with the mediation between Tehran and Baghdad.

The Iranian letter was given to Mr Shevardnadze yesterday by Mr Mahmoud Vaezi, the Iranian deputy Foreign Minister, as part of wide-ranging talks on Soviet-Iranian relations.

The two sides also discussed ways of easing cross-border contacts between the two countries, following demonstrations along the frontier by Azerbaijani nationalists, demanding that it be opened.

Mr Velayati's message expressed Iranian satisfaction at the positive development of Soviet-Iranian relations, as well as Tehran's willingness to attend the talks with Iraq, Mr Gerasimov said.

"Since the Iraqi side agreed to hold the meeting earlier, it is now possible to begin practical examination of this question," he said. "However, it is too early to speak about dates or particulars of the meeting."

Last week President Saddam Hussein of Iraq outlined his own plan to break the deadlock in negotiations; it included an exchange of prisoners, but did not mention the sensitive issues of the disputed Shatt al-Arab waterway or the 1,000 square kilometres of Iranian soil occupied by Iraqi forces.

Iran gave a cold response to the Iraqi proposal and accused President Saddam of posturing, but it did not reject his overtures outright.

# Partial rehabilitation unlikely to halt China's slide

## Playing cosy outside contrasts with being tough – and poor – at home, writes **Colina MacDougall**

TODAY, as Chinese leaders peer over the Great Wall, they see an unfriendly world. The West criticises them because of their violent repression of protesters in June. Old comrade Nicolae Ceausescu is no more, and the other countries of eastern Europe have, in the space of a few weeks, defected utterly from the one-party communist system.

The lifting of Martial Law is intended to bring at least the West back on side, plus the economic benefits such as soft loans it suspended after the massacre in Peking in June. "Loosen up on the outside, tighten up on the inside" is China's latest policy slogan, designed to improve relations abroad without slackening control at home. Martial Law is thus unlikely to mean more freedom.

The Chinese privately blame President Mikhail Gorbachev for the east European debacle, and have begun publicly to criticise Moscow. At the same time, the Soviets are too preoccupied to pay much attention to China. The exception is the issue of Cambodia, which has won a visit to Peking from Igor Rogachev, the Soviet deputy foreign minister.

The West, while softening the sanctions it applied last June, has so far kept them stringent enough to make China's shortage of cash and chronic lack of efficient technology considerably worse.

China's leadership, split as ever between hard-liners and moderates, has made small concessions to try to buy off the sanctions. In this, Washington's role is vital since both Japan and the World Bank are likely to follow where it leads.

Besides the lifting of Martial Law, in recent weeks the Chinese have agreed to accept a new Voice of America correspondent in Peking, whose predecessor was expelled after the crushing of the Tiananmen protest. They have also repeated an earlier promise not to sell medium-range missiles to Syria, and softened their anti-US invective. A protester arrested after the June crackdown has been released.

In this slightly better climate a high-level central banking conference will take place in Peking next week. It will be attended by senior Americans, including Mr Paul Volcker, former chairman of the US Federal Reserve Board.

But China's measures are seen as unlikely to conciliate the US Congress, due to reconvene on January 23, probably to pass into law an expanded package of the sanctions already established by President George Bush. The President has been making his own China policy by sending Mr Brent Scowcroft, his security adviser, on two secret trips to Peking – one barely a month after the massacre – and this has proved deeply unpopular in the US. Only substantial measures would probably satisfy Congress. One of these would be a deal over Fang Lizhi, the dissident who remains in the American Embassy in Peking where he fled for his life in June. Another would be an end to the arrest and execution of protesters.

Sanctions against China were imposed by the US, Europe and Japan immediately after the massacre. The President ordered an end to all high-level exchanges, and banned sales of military technology. European Community countries and (reluctantly) Japan did the same, cutting senior contacts and postponing government soft loans and export credit insurance.

Since almost the day they were announced, however, these sanctions have frayed at the edges. In early July, Mr Bush granted a waiver to Boeing (which uses navigation systems listed as military-style) to sell three 757 aircraft. This was followed by another 757 and a 747. In any case, the bulk of the $600m worth of US military sales covered by Mr Bush's prohibition was a $500m contract with the Grumman Corporation for avionics which are not due to go into production until 1991.

In December Mr Bush approved the sale of three US made satellites to be launched on Chinese rockets, arguing these were not for defence purposes, and also waived the ban on US Export-Import Bank support for US-China trade.

If the US approves the full relaxation of sanctions, this would allow the World Bank to re-instate at least some of the $750m of loans it suspended last June, in particular for projects which could be described as humanitarian. A World Bank mission returned from a study trip to China last month.

In Japan a group of 67 banks confirmed last month it was planning to activate a $2bn credit line agreed in 1985, arguing that since it predated the June massacre it did not infringe sanctions. Also last month two Japanese banks participated in a Hong Kong syndicated loan for $56m to China's Construction Bank.

European Community countries agreed at the Strasbourg summit in December to restore government export credit financing, and in Britain a decision on this is expected in a few weeks.

Unless Western governments soon restore the soft loans in place before last June, however, these minor measures are unlikely to do much for the parlous state of the Chinese economy. For the first time, earlier this week Yuan Mu, a government spokesman, admitted that the leadership's policies had lowered urban living standards and "real hardships" were affecting some urban workers. Rural discontent was also emerging, he said, with peasants complaining about high taxes.

Last October China's industry recorded negative growth and the situation has improved only marginally. Nevertheless, as Yuan made clear, the hard-line leadership is resolutely continuing its ideologically-driven programme of austerity, "recentralisation" and control. Except for priority sectors such as energy and transport, the current credit squeeze has almost frozen normal economic activity.

This is a dangerous policy in the aftermath of Romania. While Peking quickly recognised the new government – *some say to pre-empt a flight to China of Ceausescu* – the revolution was only briefly reported on an inside page in the People's Daily with no mention of the army's role. Yet the news is certain to have penetrated China's urban population where many tune in to the BBC and Voice of America.

The big fear is that workers will join students in their opposition to the party because of the growing hardship. The leadership has ordered security forces to use "whatever force is necessary" to crush worker demonstrations. A new law which came into force on January 1 virtually prohibits public protests.

Police and troops were put on alert after Ceausescu's overthrow and leave was cancelled. Surveillance was increased on university campuses, though despite that, inspired by the Romanians, the students managed small gestures of defiance.

Countrywide, *intellectuals* have been encouraged by the Romanian experience. "This government is hated," said one observer, "but the students have wised up. They know they have to have the army on their side before protest can be successful."

# Stage set at midnight for TV cameras

**By John Elliott in Peking**

AN officer leading a column of about six of China's armed police staged a bizarre little ceremony at midnight last night in Peking's Tiananmen Square in front of the world's television cameras to gain maximum international publicity for the formal ending of eight months of martial law.

"*According to Premier Li* Peng's order, martial law is ended. Withdraw from your post," said the officer to a fur hatted sentry in front of the gateway to the Forbidden City. The sentry turned right and marched off for a repeat of the ceremony 100 yards further on.

The column then disappeared into a pedestrian subway, pursued by television crews. They reappeared around the spot where the students' had built a Goddess of Democracy statue in the square. The square has been closed to the general public since it was cleared by the army of student demonstrators last June.

In the centre of the square arc lights had been erected on the platform around the massive Monument to the People's Heroes. Camera crews jostled for pictures of a lone sentry – and of each other – on steps still charred and broken from the army's attack on the students.

Here the sentry was replaced and a chain fence and notice erected. "These police we see here now are the ones who guarded the square before last June," said an officer. "The square is reopened in the daytime but the monument will remain restricted."

Suddenly there was a rumbling on the edge of the square and the television cameramen deserted the officer to film lorries towing away some of the metal barriers that had sealed the edge of the square.

Shiny black jacketed men, some wearing dark glasses, mingled with the crowd. The armed police had withdrawn as China tried lamely to ape Eastern Europe and bring down some of its barriers. But the plain clothes secret police, who are believed to have infiltrated all walks of life in recent months, were on parade, potentially more lethal than the martial law guards that had withdrawn.

# Hong Kong governor in Peking talks

**By John Elliott in Peking**

THE first talks between Hong Kong and China to be held since last June's Tiananmen Square crisis soured relations began in a cordial though cautious atmosphere last night when Sir David Wilson, the colony's governor, was entertained at a banquet in Peking by Zhou Nan, a vice foreign minister.

Tomorrow Sir David will meet Li Peng, the Prime Minister, before returning to Hong Hong. The length and style of this potentially important meeting will depend on how talks progress today when Hong Kong's problems with China will be thrashed out between Sir David and top officials of Peking's Hong Kong and Macao Office, as well as Zhao.

There have been suggestions that Sir David might also meet Jiang Zemin, the Communist Party general secretary, if sufficient progress is made in the talks.

Subjects for discussion range from the pace of Hong Kong's democratic reform and a plan for issuing British passports, to China's allegations that the colony has become a base for political subversion which should be stamped out.

When he arrived yesterday Sir David bluntly rejected suggestions from a reporter that he was about to "sell out" Hong Kong's interests. "Talk about a sell-out is absolute nonsense," he said.

His aim was to "re-establish a dialogue" on important issues. Indicating that he will put the colony's case for democratic reform and freedom forcefully, he said that there was a "need for correct understanding of the positions of both sides".

Li referred to "recent difficulties in Sino-British relations" when he met Sir David at Peking's airport yesterday afternoon. But he added that whenever Sir David had visited the Chinese capital in the past, he had always made a "contribution to understanding and co-operation".

# World Bank likely to resume lending within a few weeks

**By Peter Riddell, US Editor in Washington**

AT least a partial resumption of World Bank lending to China now looks likely within the next few weeks following a White House statement yesterday that it would back some new loans.

Mr Barber Conable, the World Bank president, said a month ago that the Bank hoped "in the not too distant future to resume lending to China". Last June the Bank deferred consideration of seven new loans to China totalling $750m in the wake of the Tiananmen Square massacre.

Senior Bank executives have been canvassing opinion among its leading shareholders before a board decision at the end of this month or early February.

The signs have been the Bank would wait for announcements on a resumption of activity by leading bilateral lenders, especially an expected early announcement by Japan on its $5.6bn programme.

In the last few days there has been some confusion about US intentions with press reports that the Bush administration is opposed to a general resumption of World Bank loans.

In a comment yesterday after the announcement from Peking about martial law, the White House said that in the light of the President's statement that he did not want to hurt the Chinese people, "the US will take a close look at loans that meet basic human needs and will consider them on a case-by-case needs".

A White House spokesman presented this not as a big change or concession but as part of a consultation with World Bank members "with a view to maintaining the President's policy in international financial institutions."

Among possible loans which may now be approved is a pending one to assist earthquake reconstruction in China.

● The White House said later that it welcomed the action as "another in a series of positive steps that we have witnessed over the past few weeks". Its statement said the US would assess the full scope after observing its implementation.

The administration is obviously relieved since President Bush has faced widespread criticism from Congress following the disclosure that he sent two senior officials to Peking less than a month after the crackdown at a time when the US was publicly freezing relations.

The two officials, Mr Brent Scowcroft, the President's National Security Adviser, and Mr Lawrence Eagleburger, the deputy Secretary of State, revisited Peking last month.

Mr Bush has defended the contacts as a means of trying to influence the Peking Government but has had to urge his critics to wait and see what changes result.

The administration has been facing the prospect of Congressional calls to toughen sanctions against China which it will now hope to defuse by pointing to the martial law decision as part of a gradual easing of last year's repressive moves.

# Soviet Union upgrades links with PLO, Israel

**By Hugh Carnegy in Jerusalem**

MOSCOW yesterday signalled the official upgrading of its relations with both the Palestine Liberation Organisation and Israel in parallel moves apparently designed to preserve the balance of its relations while its ties with Jerusalem undergo steady warming.

The Foreign Ministry said the Kremlin had agreed to recognise the PLO mission in Moscow as "the embassy of the State of Palestine in the Soviet Union" and would appoint an ambassador to the PLO's Executive Committee based in Tunis.

For Israel, the announcement soured the satisfaction achieved only hours earlier when Mr Eduard Shevardnadze, the Soviet Foreign Minister, met Mr Ezer Weizman, Israel's Science Minister, in the highest level contact between the countries in Moscow since the Soviets severed diplomatic relations after the Six Day War in 1967.

Mr Weizman said Mr Shevardnadze had agreed to upgrade Soviet representation in Israel from a consular delegation to a legation, not far short of full embassy status. Israel is already well on the way to restoring full diplomatic relations with most previously hostile East Bloc countries and regards the Soviet Union as the main prize.

However, it will be severely disappointed at Moscow's gesture to the PLO, which Israel refuses to recognise.

# Seoul peace overture to North

**By Maggie Ford in Seoul**

SOUTH KOREA and the US are to scale down a large military exercise next month in an effort to persuade communist North Korea to open talks on co-operation.

In a New Year speech, President Roh Tae Woo welcomed a proposal by North Korea's President Kim Il Sung for free travel and complete openness between the two Koreas and urged him to agree to a prompt summit meeting.

The aim, Mr Roh said, should be to establish a travel and communications agreement and to co-operate on tourism development, and on trade and sports links.

The decision to cut the length of the annual "Team Spirit" military exercise from one month to two weeks was accompanied by invitations to North Korea, China and the Soviet Union to send military observers.

The exercise, described as defensive by Washington, involves 200,000 troops and is the largest joint exercise in the world. North Korea regards it as threatening and normally cuts off all talks with the South while it is in progress.

The US stations 43,000 troops in the South. Pressure from Congress to reduce the numbers has been mounting in the past year, partly due to cost constraints on the US defence budget.

President George Bush has reiterated that the troops will remain as long as both governments feel they are needed. Mr Dick Cheney, the US Defence Secretary, is to visit Seoul next month for annual talks between the two allies.

At a news conference after his speech yesterday President Roh said that the South Korean national security law should be revised if it stood in the way of North-South dialogue.

The law imposes stiff penalties on anyone having contact with North Korea, which is described as the South's enemy. Mr Roh said there was a need for caution as long as North Korea adopted an intransigent attitude to the South.

Roh: Welcome for North Korean move

# Roh unveils plans for big economic reform

**By Maggie Ford**

PRESIDENT Roh Tae Woo of South Korea yesterday announced a programme of economic reforms designed to propel the country from newly industrialised to advanced country status over the next decade.

The statement comes at a time of economic downturn in South Korea and disagreements between Government and business about which policy measures would best alleviate the problems caused by slowing growth.

President Roh said the Government would give substantial backing to business but would also instal a modern fiscal system so as to promote social justice, ensure trade union rights and develop health, education, housing and balanced regional growth.

Tax reform would include an attempt to reduce inequality in the distribution of wealth. Big business groups, criticised for failing to upgrade technology and modernise management during years of Government protection, would be encouraged to separate management from (family) ownership. Small and medium industry is to be boosted and stock ownership dispersed.At the same time the Government will devote substantial funds to promote science and technology, especially research.

The Government is to build 2m homes by 1992, including 900,000 public sector dwellings for poor families. Tax incentives and loans will be available to companies which construct housing for workers. Social welfare programmes, education finance and medical care for the lower paid will be increased. Agriculture is to be completely restructured at a cost of $23bn over the next three years. The introduction of elected local councils this year will decentralise administration and promote regional development. This will be combined with substantial Government investment in infrastructure in poorer areas, especially the south west. President Roh said South Korea had coped with economic shocks in the past and could deal with current changes.

# Singh tells Pakistan of Kashmiri fears

**By K K.Sharma in New Delhi**

MR V.P.Singh, India's Prime Minister, yesterday expressed concern to Pakistan over rising violence in the north Indian state of Kashmir where pro-Pakistan militants want secession from India.

Mr Singh told Mr Abdul Sattar, a special emissary of Pakistan's Prime Minister Ms Benazir Bhutto, that he hoped Pakistan would respond to this concern "as such things can become difficult if allowed to grow".

The issue clouded an amicable meeting. Nevertheless it was decided that a dialogue at a high level would be maintained to normalise relations.

Their activities have wide support in the state where the army has been called out to maintain order in a number of towns, including Srinagar, the capital, where a strict curfew has been imposed. Indian officials believe the militants are being assisted by Pakistan.

The militants kidnapped the daughter of Mufti Mohammed Sayeed, the Indian Home Minister, soon after the National Front Government took office. She was released after five days in exchange for five imprisoned militants.

Mr Sattar yesterday delivered a message from Ms Bhutto expressing her wish to accelerate the process of normalisation of Indo-Pakistan relations, although she mentioned the political constraints on her minority government.

# Saudis 'torturing political prisoners'

**By Victor Mallet**

SAUDI Arabia has detained hundreds of suspected political opponents without trial in recent years and frequently tortured them, the human rights organisation Amnesty International says today.

Amnesty, in its first investigation into the kingdom's political detentions, says most of the detainees are Shia Moslems from the Eastern Province. The ruling family and the majority of Saudis are Sunnis.

At least 100 detainees were being held in 1989 alone, Amnesty's report says. Only a few were freed during the year.

"In all cases known to Amnesty International, political detainees have not been informed of the reasons for their arrest and have been held for prolonged periods without trial, in some cases for over two years," Amnesty says.

"During the first few days or weeks detainees are usually held in solitary confinement, are routinely tortured or ill-treated and are denied access to family or legal counsel."

Amnesty, which criticises both the absence of effective human rights safeguards in Saudi Arabia and the lax application of those provisions which do exist, has made known its concerns to the Saudi government, but Saudi officials have not responded.

Many detainees allege they were tortured by being beaten on the soles of their feet, deprived of sleep, or suspended by the wrists from the ceiling. They also say they were forced to sign confessions. Among those held have been religious scholars, teachers, students and employees of Saudi Aramco, the national oil company. Most oil reserves are in the Eastern Province.

Saudi Arabia's rulers are fearful of Iranian influence over Shia Moslems, and some of the detainees are suspected members or supporters of Hizbollah fil Hijaz (the Party of God in the Hijaz), which is loyal to the late Ayatollah Khomeini.

*Saudi Arabia – Detention without Trial of Suspected Political Opponents; Amnesty International, 1 Easton St, London WC1 8DJ.*

# Strike deaths raise South Africa's political temperature

## The transport dispute highlights the difficulties of waging industrial action, writes **Patti Waldmeir**

SOUTH AFRICA'S 10-week transport strike is "the bloodiest and most destructive industrial dispute since the miners' uprising in 1922," the opposition Democratic Party claimed yesterday.

It is a moot point whether the strike, which left seven people dead in a clash between strikers and non-strikers on Tuesday, is the worst in 68 years of often violent industrial relations in South Africa.

But few other disputes have taken place against a background of such political volatility, with the National Party Government poised to release Mr Nelson Mandela, the jailed leader of the African National Congress, and begin negotiations on the country's constitutional future.

Despite the ghastly acts which have attended the strike – and the intransigence of South African Transport Services (Sats), the state transport company, which has sacked nearly 23,000 striking workers – the dispute has had a fairly low political profile.

The deaths on Tuesday may change all that. The union claims those who attacked the strikers, leaving over 60 injured, were Sats vigilantes but the company denies this.

The Democrats have called it a national disaster and Cosatu, the largest trade union federation, has urged anti-apartheid groups to prevent attacks on strikers. Further Cosatu action is also under consideration.

But the dispute highlights the difficulties faced by unions in waging successful industrial action at the beginning of the decade, following a year in which labour relations analysts say unions have lost more strikes than they have won.

Strike action increased sharply in 1989, with labour consultants Levy, Piron and Associates estimating just over 3m man-days lost to strikes last year compared to half that in 1988.

However the two most prominent strikes of the year – the Sats strike which began in early November, and the previous South African Breweries strike – can scarcely be regarded as successful.

The eight-week breweries strike ended after the leading anti-apartheid coalition, the Mass Democratic Movement, withdrew its support for 5,500 striking members of the Food & Allied Workers' Union. The strikers ended up no better off financially; and eight people died.

The Sats strike – which has already left at least 22 people dead – looks like going the same way.

The South African Railway and Harbour Workers' Union (Sarhwu) was arguing for an increase in the monthly minimum wage from R600 to R1,500 (£143 to £358) and for recognition by Sats. The wage claim now appears to have been abandoned and, though recognition looks likely to be won, the financial cost to members of a 10-week strike is heavy.

Nor is it clear how many sacked union members will remain unemployed. Sats has offered to re-employ half the nearly 23,000 dismissed, as well as any of the remaining half whom an arbitrator finds to have been unfairly sacked.

However the offer only holds for a fortnight; after that Sats says it will employ permanent replacements. It is hinting at permanent staff reductions, saying the strike has proved service can be maintained with fewer workers. As a candidate for eventual privatisation, the company may be tempted to carry out such cuts now.

The strike itself has cost R38.5m in damage to rolling stock, Sats says. Labour analysts say that with economic growth forecast at no more than 1 per cent this year, continuing high interest rates and high inflation, unions face another difficult year in 1990. And with the unions assuming an ever more important role in the political struggle against apartheid, labour violence may easily spill over into more overtly political violence.

# Philippines to allow value of peso to fall against $

**By Greg Hutchinson in Manila**

THE Philippines has decided to let its currency fall below past lows to raise the country's export competitiveness following a loss of economic confidence after the failed December army coup.

Mr Cayetano Paderanga, acting economic planning secretary, projected an exchange rate to the dollar of between 21.5 and 23.5 pesos for 1990. The peso currently trades at a record low of 22.5.

The central bank has traditionally supported the peso when it has become oversold, aware that a cheaper peso makes paying off dollar- and yen-denominated foreign debt all that more difficult.

However, after winning concessions from commercial, government and multilateral creditors in negotiations over the past year, the Government has decided against intervention.

The change in policy is long overdue. Mr Paderanga said the relatively high exchange rates of the past has transferred the competitive advantage to other south-east Asian nations, such as *Indonesia*.

Mr Paderanga, elevated to the Aquino cabinet when Mr Jesus Estanislao, his superior in economic planning, became Finance Secretary in a New Year's Eve government shake-up, says the desire to see a more competitive peso is to be tempered by a concern to soften exchange rate gyrations. "We will not allow sudden destabilising changes in the exchange rate because in the end that is probably more costly [to the economy]."

In a summary of a briefing he gave President Aquino earlier yesterday, Mr Paderanga said 91-day treasury bills were projected at between 16 and 18 per cent in 1990, down from their current 19.8.

The Government now intends to loosen its monetary reins, but keep inflation checked at 11-13 per cent over the year by relying equally on fiscal restraint, according to Mr Paderanga.

AMERICAN NEWS

# AT&T sues competitor over market share fight

By Roderick Oram in New York

AMERICAN Telephone and Telegraph said yesterday it was suing MCI Communications and its telemarketing subsidiary for alleged use of deceptive methods to capture the long-distance telephone accounts of "tens of thousands" of people in the US.

AT&T, which has faced very aggressive competition from MCI and other long-distance companies since the field was opened to competition in 1984, said it would seek a court order to halt MCI's practices and seek "tens of millions" of dollars in damages from it.

Slamming, as telephone companies call strong-arm marketingtactics, has been a problem since customers were given a choice of carriers after the break-up of AT&T six years ago. The number of consumer complaints about the practice has increased sharply in the past year, AT&T said.

Some 10 to 15 per cent of AT&T residential customers who were switched to another long-distance carrier between February and November last year were never contacted by the other carrier or had declined to change, AT&T's studies showed. Business accounts were rarely affected. "People are being hoodwinked and they don't like it," said Mr Merrill Tutton, AT&T consumer services vice-president.

The company has singled out MCI in its suit, saying it has little problem with US Sprint, the other major carrier.

Telephone users have been making a verbal choice of long-distance carrier to one of the competing companies, which all use heavy advertising and telephone marketing campaigns to win customers. AT&T's market share has slipped from a virtual monopoly before its break-up to less than 75 per cent, while MCI's has grown to about 10 per cent.

AT&T asked the Federal Communications Commission yesterday to require carriers to have written consent before taking on a user's long-distance service. AT&T alleges Pioneer Teletechnologies, an Iowa telemarketing company 25 per cent owned by MCI, made "widespread use of fraudulent and deceptive" practices to take over accounts from some AT&T customers. MCI and Pioneer had no immediate comment on the suit.

In examples which AT&T called typical, Pioneer's representatives are alleged to have contacted telephone users and told them MCI was taking over their long-distance service. They gave various reasons, including "AT&T was going out of business", "AT&T and MCI had merged", or the local telephone company was switching all its long-distance services to MCI.

It was also alleged in other examples that consumers called for information about MCI but were switched to its service over despite their having decided to stick to AT&T. Old people or customers who had difficulty with English were particularly vulnerable, AT&T said. In some instances, MCI had arbitrarily captured the account without contacting the customer, AT&T said.

# Chile names cabinet

By Our Foreign Staff

CHILE'S President-elect Patricio Aylwin yesterday named a 20-man cabinet to take office in March when President Augusto Pinochet stands down, ending a 16-year military regime.

Half of the future government team, including the key Finance, Interior and Defence Ministries, are drawn from Mr Aylwin's centrist Christian Democrat party.

Mr Alejandro Foxley, 50, the new Finance Minister who holds a doctorate in economy from the University of Wisconsin, has gone out of his way to reassure the business community that he intends to keep the economy rolling on its present free-market, export-oriented track.

Mr Enrique Krauss, who masterminded the President-elect's campaign, was appointed to the Interior Ministry, while Mr Patricio Rojas, a veteran of Chile's last Christian Democrat administration in the late-1960s and an intimate associate of Mr Aylwin, was given the job of Defence Minister. He will now face the delicate task of returning the military to civilian control.

The Ministry of Economy will go to Mr Carlos Ominami, a socialist from the Party for Democracy (PPD).

Another delicate task awaits Mr Francisco Cumplido at the Justice Ministry. Mr Cumplido, a well-respected constitutional lawyer, must negotiate his way through the human rights issue, in particular the possible prosecution of military officers for rights violations.

He must also revive the workings of the civilian justice system, much of whose jurisdiction had been usurped by military justice during the dictatorship.

The new cabinet will take office buoyed by heartening economic statistics. Chile ended 1989 with a sizzling economic growth rate of 9.9 per cent, up from 7.4 per cent in 1988.

# Exxon admits NY oil spill ignored

EXXON has admitted that its staff ignored alarms for six hours when a pipeline began to spill more than 500,000 gallons of oil into New York harbour on January 1, **Roderick Oram** reports from New York.

The giant oil company, still reeling from the environmental and public relations disaster of its Alaskan oil spill last year, said the employees failed to respond because the pipeline's leakage detection system had been giving false alarms for more than a year.

If the employees had acted quickly only a "fraction" of the oil would have reached a waterway between Staten Island and New Jersey, Exxon admitted.

# Keating case senators spend to rebut criticism

By Our US Editor in Washington

THE first rule of American politics is always to be on the offensive against any charges made against you. So the Keating Five – the senators in the Lincoln Savings and Loan political influence scandal – have used the current Congressional recess to put their side of the story.

Senator Dennis DeConcini of Arizona is spending $190,000 on newspaper advertisements and short television commercials, while Senator Donald Riegle of Michigan is launching a television campaign.

The other three senators involved – John Glenn of Ohio, Alan Cranston of California and John McCain of Arizona – have been active in speeches, interviews and meetings in their respective states.

All five have suffered a barrage of criticism for their involvement with Mr Charles Keating, whose collapsed Lincoln Savings and Loan is the subject of law suits and may cost US taxpayers more than $2bn. He gave or raised nearly $1.4m for the five senators, who attended two meetings with federal regulators in April 1987 to discuss proposed restrictions on Lincoln.

The senators have mixed self-justification with blame for the system. Mr McCain argued that what he did for Mr Keating was "not unlike helping the little lady who didn't get her social security."

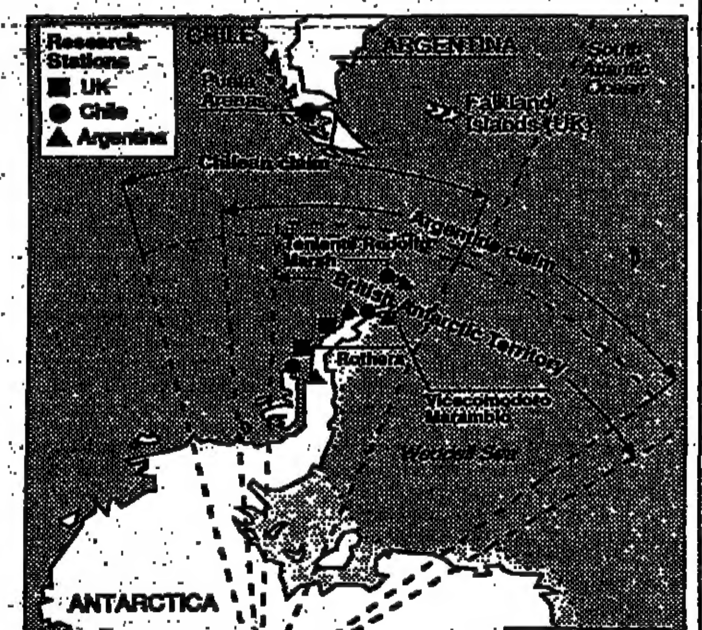
# Well-placed Chile leads in the logistical battle for Antarctica

## Barbara Durr on a benign way to stake a claim

ANTARCTICA'S habitable northern finger, the peninsula that points to the southern tip of Chile, is bustling this time of year – at least in terms of the icy continent's usual pace of activity. It is the austral summer and tourist boats and scientific and ecological missions are at their peak.

Mr Jacques Cousteau, the undersea explorer, kicked off the season during the first week of January with a trip to examine the environmental damage done by the Argentine boat Bahia Paraiso, which sank off the peninsula in January 1988 and has been leaking oil since.

Virtually all of this Antarctic Peninsula activity passes through Chile's southernmost city, Punta Arenas, or uses the services of the Chilean Air Force base, known as Lieutenant Marsh, on the northern tip of the peninsula.




This is no casual occurrence. Chile has made itself indispensable in Antarctica and officials say the country intends to continue to play this central role. While territorial claims may never be settled in Antarctica, if they are, Chile is well placed to assert its own.

Chile, Britain and Argentina have conflicting territorial claims on the Antarctic Peninsula. The three claims are the only ones on the continent that are superimposed. Four other nations, Australia, France, New Zealand and Norway also have claims, but for separate pieces. Territorial claims have been put on hold since the Antarctic Treaty was signed in 1959, but this has not prevented a decades-long controversy over who should use Antarctica and for what.

Mr Cousteau is among those who would like to see Antarctica made a world nature park. Others consider that amidst its 14m sq km, mostly ice cap, there is a treasure trove of minerals that one day should be exploited. And some believe that the continent's tourism potential has barely been scratched.

But while Antarctica may beckon, it hardly invites. Summer temperatures rarely creep much over zero Fahrenheit (-18C) and winter mean temperatures are around -70F (-57C). The visual panorama, at least around the largest base area, run by the Chilean Air Force, is a mix of jagged snowy peaks, icy glacier fields and rocky beaches on a pristine grey-green bay. There is an awesome desolation about the place which gives one a clear sense that this is the end of the earth. The only cheery sight is thousands of waddling penguins on the shore, Charlie Chaplins, innocently comic and shy.

The 39 nations that have signed the Antarctic Treaty acknowledge the continent's fragile environment, but hold differing views on how carefully it must be preserved. Two meetings expected to be held later this year in Chile aim to make progress on the dispute.

One will be to devise measures to protect Antarctica's environment and the other to discuss a possible protocol on liability if the 1988 Wellington Convention, which would allow mineral exploitation, is implemented. A moratorium on mining, proposed by Chile, has been in effect since 1972.

While Chile emphasises environmental protection, it signed the Wellington Convention – which specifies that mineral exploitation must preserve the environment – because the agreement acknowledged the special status of countries with territorial claims. This status could eventually translate into first say or at least participation in any future mining projects.

While the diplomatic struggle proceeds, on the ground Chileans are winning the logistics battle. Punta Arenas, on the Strait of Magellan, is the natural gateway to Antarctica. It is just two and a half hours by aircraft from the Antarctic Peninsula's best and most well-situated landing strip at Lieut Marsh.

At Lieut Marsh, the Chileans have a good bay, the only hostel on the peninsula (with accommodation for 80), and a comprehensive set of year-round services, including air and sea transport, air traffic control, mail, cargo, a radio station, a hospital and rescue teams and equipment.

No other country can offer so much and many of the 25 national bases located in the peninsula depend on Chile's services. This has made for some odd ideological bedfellows, with the Soviets, Chinese, Americans, Koreans, Japanese, Western Europeans and a variety of South Americans all co-operating to brave Antarctica's inhospitality.

Argentina has a 1,300-metre dirt airstrip, the same size as that at Lieut Marsh. But it is on the small Seymour Island, which is less conveniently situated than Lieut Marsh and lacks a bay. Argentina also operates four military bases all year and a sprinkling of other smaller refuges in summer. This compares with Chile's three all-year bases, including the largest at Lieut Marsh, and two six-month bases.

This summer the British Antarctic Survey will construct a 900-metre, dirt airstrip at Britain's Rothera Point base, which is located further into the interior than Lieut Marsh. Until now, the British base has only had an ice airstrip

The Chileans also operate one of the continent's three most important meteorological stations. The other two are run by the Americans and the Soviets in different sectors of the continent. Antarctic weather patterns affect those of the rest of the world. Chile reports three times a day to the World Meteorological Organisation in Washington.

While the Chilean claim, made in 1942, was the last of the three – Argentina made its claim in 1940 and Britain in 1832 – it has already been cemented in the minds of two generations of Chileans. Its pie-shaped claim appears on every map of the nation.

# Victory for prospectors in Amazon

By John Barham in Sao Paulo

THE lawless prospectors of Brazilian Amazonia have won an easy victory over the outgoing Sarney government, which has been slow in acting to protect the threatened Yanomami tribe.

The prospectors have negotiated a generous agreement with the federal government which lets them continue prospecting for gold and other minerals in the northern Amazonian state of Roraima in areas close to 5,000 to 7,000 Yanomami, the vast majority of the indigenous nation. The long-isolated Yanomami have been smitten by disease and destruction since the prospectors began arriving in strength two years ago.

The government sent detachments of federal police to the state capital of Boa Vista on Sunday in a half-hearted operation to expel the prospectors from Yanomami territory. The negotiations ended on Tuesday evening with a promise by the prospectors' leaders to evacuate mining sites in areas close to 19 Yanomami villages and donate schools and hospitals to the tribe. In exchange, Mr Saulo Ramos, Justice Minister, said prospecting will be permitted in three areas close to Yanomami territory.

The accord may be challenged in the courts but Indian rights campaigners were despondent. Mr Tony Gross, policy adviser to a Catholic church anthropological organisation, said: "The events of the last days were a charade that allowed the government to claim that [removal of the prospectors] is unworkable."

The prospectors operate deep in the jungle, near remote landing strips and supplied by some 500 light aircraft based at Boa Vista airport. Roraima is rich in gold, diamonds and other valuable minerals. The prospectors are influential because their operations throughout the vast Brazilian Amazonia yield 80 per cent of Brazil's gold output.

In 1988, Brazil produced an estimated 100 tonnes of gold, 8 per cent of which came from Roraima. Although the prospectors are violent, they are popular with the Amazon's non-Indian population because they bring wealth to impoverished communities.

Indian rights campaigners began agitating in the late 1970s for a Yanomami reservation covering 9m hectares.

Apart from a few concessions, Brasilia has ignored pressure to protect the Yanomami. Activists fear the worst now. Father Giovanni Saffirio, a missionary in Boa Vista, said: "Most of the gold is in the 19 Indian areas."

Seizures rise 40 per cent in street value

# Tories plan law to curb circulation of 'drug money'

By Jimmy Burns

REGULATIONS aimed at curbing the amount of drug money circulating in the UK are being drawn up by the Government, one of the country's senior drug investigators said yesterday.

Mr Douglas Tweddle, chief investigation officer for the Customs and Excise, said the regulations – to be published later this year – would allow police and customs officers to seize interest accrued by drug money during the period between a court order being made against an offender and confiscation of assets after conviction.

They would also widen the definition of money "laundering" as an offence to include drug traffickers as well as third parties used to "launder" the money.

At present a drug trafficker cannot be prosecuted for money "laundering" – disguising the proceeds of his crime – although a third party dealing in the transaction can.

The move follows publication last month of a report by the House of Commons Home Affairs Committee which suggests urgent reforms are needed to increase the effectiveness of the 1986 Drug Trafficking Offences Act, introduced to combat international drug trafficking through seizure of the proceeds.

Under the Act, financial institutions are obliged to report suspicions that deposits are derived from drug trafficking. Mr Tweddle said loopholes in the Act have allowed some drug offenders to make substantial financial gains.

Co-operation from London's financial institutions was good although initially support from foreign banks and savings institutions had been less encouraging. During 1989, 29 confiscation orders leading to the seizure of £5.7m of assets had been made. There are also 22 restraint orders in force under which a further £9.6m of assets has been frozen.

Mr Tweddle said that the figures indicated the Act was beginning "to bite." Only £2.5m of assets were seized in 1988.

However, he was concerned about the powerlessness of UK customs officers to do anything about the "carrier bag" trade – the large amounts of cash, often related to drugs, which go in and out of the country and which cannot be seized because of the abolition of exchange controls.

A record £260m worth of illegal drugs were seized last year by UK Customs, according to official figures published yesterday. This is an increase of 40 per cent in terms of street value on the previous record figures of 1988.

# Lawson's traditions fade in a new era of sweetness and light

By Peter Norman, Economics Correspondent

SLOWLY but surely, the traditions of Mr Nigel Lawson's six years at the Treasury are melting away.

It was all sweetness and light in London's grim 1960s Millbank Tower yesterday when Mr John Major, the Chancellor, chaired his first meeting of National Economic Development Council, the tripartite talking shop for government, trade unions and industry.

Mr Lawson loathed Neddy and made no secret of his feelings.

Mr Major yesterday tarried for 1¾ hours to discuss the economy and listen attentively to the opinions of others. Afterwards, Mr Walter Eltis, the director general of the National Economic Development Office, said the meeting had an "excellent tone" with a "well mannered and courteous" exchange of views.

But good manners did not mean a meeting of minds. While the Trades Union Council and the Confederation of British Industry, the employers body, made common cause in calling for lower interest rates and investment incentives, both the Chancellor and Mr Robin Leigh-Pemberton, the Governor of the Bank of England, held firmly to existing policies.

History may tell that Mr Major left an uncharacteristic hostage to fortune when he opined that Britain's "underlying inflation rate appeared to have stabilised."

But the Chancellor said interest rates in Britain would stay high until there was a clear slow down in inflation. Mr Leigh-Pemberton went further and warned of a possible interest rate rise. "We should not hesitate to raise interest rates if, because of a weakness in the exchange rate, the counter inflation policy is at risk," Mr Eltis quoted the Governor as saying.

The TUC and CBI took broadly similar lines in calling for early British accession to the exchange rate mechanism of the European Monetary System and in urging reform of vocational training.

Chancellor and Bank Governor appeared conciliatory on the EMS. While warning that full EMS membership was no panacea, Mr Major said the Government was "adamantly in favour of Britain" joining the ERM when the terms agreed at the EC summit in Madrid last summer had been met. He said he had advocated Britain's full membership of the system as early as 1981.

Mr Leigh-Pemberton said Britain should not wait until its inflation rate was down to the level of its European competitors before joining the ERM. If inflation were on a downwards trend when Britain entered the ERM, entry could help push inflation down further.

In a discussion on pay, there seemed to be more harmony between TUC and CBI than between the employers and unions and the Government. Mr Norman Willis, the TUC general secretary, warned that high interest rates pushed pay claims upwards.

Mr Major underlined that the Government was concerned about pay rises that were not earned through productivity increases rather than high pay increases in themselves.

# Warning issued over industrial gas charges

By Maurice Samuelson

BRITAIN'S ability to compete with its European neighbours will suffer serious damage over the next five years if industry continues to have to pay too much for its gas, Mr James McKinnon, director general of Ofgas – the gas watchdog – said yesterday.

"Pressure on British industry's competitive position will increase if, by 1992, there has been no significant downward movement in British Gas prices", he told the Chemical Industries Association conference in London.

Although the Monopolies and Mergers Commission had ruled that British Gas should not be able to buy up the entire output of new North Sea gas-fields, that would only take effect in 1993 and 1994 when the Bruce and Beryl fields came on stream.

"If there is no downward movement in British Gas prices in the interim British interests will suffer. There has to be an acceleration in the pace of the introduction of competition."

Mr McKinnon said large industrial consumers were paying around 25 pence per therm for gas, and that small businesses paid considerably more. But according to "people who should know about these things", the gas from the Bruce and Beryl field would come ashore for only 14 pence per therm.

"Add to that the average carriage cost as computed by Ofgas to four pence per therm and the cost of carried gas to an average customer will be well below 20 pence for a firm supply," he said.

Even after overheads and suppliers' profit, many customers should benefit significantly when gas-to-gas competition began, he claimed.

"That is why there has to be an acceleration in the pace at which that competition is introduced. If a practical solution is not found to bridge the gap British businessmen will find it hard to understand and even harder to forgive."

Once customers benefited from alternative cheaper supplies, Mr McKinnon added, British Gas was unlikely to accept a substantial reduction in its market share and would "consider its position as far as prices are concerned."

IN BRIEF

## Sinn Fein man held on terrorist charges

Danny Morrison, a leading member of Sinn Fein, the political wing of the IRA, was remanded in custody by Belfast magistrates on three terrorist charges.

Morrison, aged 36, who represented himself from the dock, was charged with conspiracy to murder Alexander Joseph Lynch between January 4 and January 8 this year; unlawfully and injuriously imprisoning Lynch between the same dates, and membership of the Provisional IRA during the same period.

He was remanded in custody until January 26 and is expected to lodge a bail application in the Northern Ireland High Court.

Detective Inspector Alex McGregor told the court that when charged Morrison had replied: "Both you and I know that these charges are unsustainable."

### Murdoch heads Sky

Rupert Murdoch, chief executive of News Corporation, is to take personal control of Sky Television, his multi-million UK satellite television venture.

The News Corporation chief, whose media interests range from film studios and book publishing to five national newspapers in the UK, intends to spend alternate weeks in the UK running Sky – at least until the right senior television executive can be found to take on the job.

Murdoch announced that Andrew Neil, editor of the Sunday Times, was giving up his extra duties as chairman of Sky Television.

### Tourist numbers up

The number of overseas visitors to the UK in 1989 is likely to top all records. Statistics from the Department of Employment revealed that the number of overseas visitors for the first 10 months of last year totalled 14.9m – 9 per cent up on the January-October 1988 figure.

### Costs come down

A transformation in the way equity transactions are cleared and settled, leading to lower costs for investors, will result from a series of policy decisions, said Andrew Hugh Smith, chairman of London's International Stock Exchange.

### Entry fee considered

Museums and art galleries should 'consider' introducing admission charges. This was the conclusion of a House of Commons Committee report.

### Hospital checkup

Tougher checks to ensure that hospital consultants do not jeopardise their National Health Service work by taking on too many private patients are advocated in a report published by the National Audit Office, the public expenditure watchdog.

The NAO emphasised that the Department of Health and all health authorities had a duty "to ensure that consultants' private practice does not conflict with their NHS duties."

### Tin jobs could go

Falling tin prices are forcing Carnon Consolidated, the Cornish mining company bought from the RTZ Corporation by 12 managers 18 months ago, to cut employment, metal output and capital expenditure. Carnon is calling for 90 redundancies among the 550 employed at its Wheal Jane and South Crofty tin mines.

### Environmental gains

Environmental and agricultural research projects have emerged as among the main beneficiaries from the distribution of the Government's £897m ($1.4bn) science budget for next year. The Government announced last November that it was increasing the science budget for 1990-91 by 8.8 per cent in cash terms.

### Performance studied

The London School of Economics has won funding to establish a centre for the study of corporate performance. Known as the Centre for Economic Performance, it will investigate companies' use and development of trained manpower, their adoption of new technology and their work organisation and industrial relations.

### Plastics need update

Britain's £8bn-a-year ($13.2bn) plastics industry, despite strong growth and high investment in recent years, needs further updating of plant to make it competitive with the rest of Europe and is suffering from a worsening trade balance, according to a study by the National Economic Development Office.

### Chunnel death

A 35-year-old man became the fourth person killed during construction of the Channel Tunnel when he was hit by a train in the tunnel, Kent police said.

# A cautious step to devolution in Ulster

**Ralph Atkins** looks at the N Ireland Secretary's call for talks on self-government

MR PETER Brooke, Northern Ireland secretary, has a favourite metaphor about a man wading across a stream. Each stone is tested gingerly before he puts his full weight on it and moves one step forward.

On Tuesday, Mr Brooke successfully reached the first stone in a wide river.

His call for talks on devolution in the province was well-timed and carefully thought out. His speech to businessmen in the town of Bangor identified "enough common ground to make worthwhile the start of talks."

Yesterday there was some indication that the political current may also be flowing in the right direction – and that the Government's position may be sufficiently flexible to allow another step forward.

**CHRONOLOGY OF EVENTS**

**MARCH 1972:** Stormont Government replaced by direct rule from Westminster.
**MARCH 1973:** Government reveals plans for new power-sharing assembly.
**JUNE 1973:** Assembly elections.
**DECEMBER 1973:** Sunningdale Agreement; new power-sharing executive to include Faulkner Unionists and SDLP, and link with Dublin.
**JANUARY 1974:** New executive takes office. Loyalists disrupt assembly proceedings.
**MAY 1974:** Ulster Workers Council strike causes collapse of executive.
**OCT/NOV 1974:** Prevention of Terrorism Act passed following mainland bombings.
**DECEMBER 1980:** Thatcher meets Haughey in Dublin summit.
**FEBRUARY 1982:** James Prior, Secretary of State, announces plan for new assembly.
**OCTOBER 1982:** Assembly elections. Sinn Fein wins five seats.
**MAY 1985:** Council elections. Sinn Fein wins 59 seats.
**SEPTEMBER 1985:** Tom King replaces Douglas Hurd, as Northern Ireland Secretary.
**NOVEMBER 1985:** Anglo-Irish Agreement signed.
**DECEMBER 1985:** All 15 Unionist MPs resign seats to hold referendum.
**SEPTEMBER 1987:** Extradition disagreement between London and Dublin.
**FEBRUARY 1988:** Revelations of shoot-to-kill policy allegedly carried out in Northern Ireland damage UK-Irish relations.
**MARCH 1988:** Anglo-Irish co-operation against terrorism announced.
**DECEMBER 1988:** Thatcher attacks Haughey over extradition.
**JULY 1989:** Peter Brooke replaces Tom King.
**DECEMBER 1989:** Brooke pledges cross-party talks on Ulster.

Reaction from Unionist politicians was conciliatory, if not welcoming. Sufficiently soothing words were found to suggest that Mr Brooke had softened his attitude to the Anglo-Irish Agreement – the four-year-old pact that has incensed Unionists because of the role it gives the Irish Republic in Northern Ireland's affairs.

"There is enough in it to encourage the belief that the Secretary of State has made some progress in his consultations with the Dublin Government and the Social Democratic and Labour Party (SDLP) to make it worthwhile for us to meet him," said Mr James Molyneaux, leader of the Official Unionists.

In practice, Mr Brooke's comments were not much more than the combining of previous speeches, official discussion documents and last year's review of the workings of the Anglo-Irish Agreement.

The speech was part of a "slow and gradualistic" approach to Northern Ireland politics, said Mr Paul Arthur, politics lecturer at the University of Ulster.

The hope has to be that Mr Brooke has fortuitously caught the tide – and is able to spark real movement in the stagnant politics of Northern Ireland.

For the Northern Ireland Office this was a calculated challenge to local politicians. Since his appointment in July, Mr Brooke has been sounding out politicians of the "constitutional" parties – principally the Unionists and moderate SDLP.

The door, he repeatedly says, has always been open – although the Government does not talk with Sinn Fein, the political wing of the IRA, because of its terrorist links.

His diplomatically-worded speech pushed strongly the case for devolution – most probably in the form of a province-wide administration and legislature – which has long been the policy of successive Northern Ireland ministers.

In passing, he has snubbed some members of his own party by shying away from policy based on greater integration with the rest of the UK.

But still it is a challenge rather than an initiative. The next step rests with locally-elected representatives to overcome previous inhibitions and begin serious talking. The cynical interpretation is that Mr Brooke has merely passed the ball back into the other side's court.

If he succeeds it would be progress indeed. The Unionist population has appeared increasingly isolated. Fierce protests in the early years of the Anglo-Irish Agreement have faded, but there remain much suspicion and distrust about the Government's motives, particularly among the more insular working-class communities.

Despite their positive response yesterday, Unionist politicians are adamant that the Anglo-Irish Agreement has to be removed before talks of devolution can succeed. Otherwise, any local administration would simply be a "puppet government" for Dublin and London, they say.

Mr Peter Robinson, deputy leader of the Democratic Unionist Party, said on BBC Radio that Mr Brooke's mind was open. "To Unionists this means that they can put on the table an alternative to the Anglo-Irish Agreement," he said.

Britain and Ireland, he argued, had implied a willingness to put off the regular meetings of the Anglo-Irish Conference. The focus should next be on the Maryfield Secretariat, the administrative arm of the agreement.

"If the same can take place by way of the workings of the Maryfield secretariat, then quite clearly we are in the ball-park," Mr Robinson said.

But if these aspirations are to be met, the Northern Ireland Office will have to soften its line. So far it has had much faith in the Agreement, consistently arguing the value of the North-South dialogue to the minority nationalist community. It argues the agreement should not be jeopardised when devolution talks could easily founder.

Hence, there remains some way to go before the two sides meet. There is scope for compromise, however. Mr Brooke spoke of operating the agreement "sensitively" and made plain a willingness to consider "changes in the scope and nature of the working of the conference" if the agreement's objectives could be better served.

The emphasis is on the word "working." The agreement could be pushed to the sidelines – or adopted to appease Unionist worries if talks were making substantial progress. Eventually, it could be replaced or modified by common agreement.

That, however, is looking far into the future. The next stepping stone has to be the successful start of discussions.

Mr Robinson and Mr Molyneaux both suggested yesterday that could be within weeks. Only then will Mr Brooke be able to look with more confidence at the other side of the river.

# New offer expected in Ford pay talks

By John Gapper, Labour Editor

FORD MOTOR Company, the UK subsidiary of the US motor manufacturer, was last night expected to improve a 9.5 per cent pay offer to its 31,800 manual workers at talks in London aimed at averting a strike at the company's 21 UK plants next week.

Talks between the company and union leaders were continuing last night. If a deal is not reached, industrial action would have to be called by Wednesday to keep within employment legislation.

The company was thought to be ready to raise the offer offer of 9.5 per cent in the first year and inflation plus 2.5 per cent in the second following higher settlements at other car companies.

Ministers have warned that pay settlements must be held down in private industry to reduce inflation. The Ford settlement is traditionally regarded as a benchmark for other manufacturing companies whose settlements fall in the first half of the year.

● The European Commission and Ford have settled a six-year controversy over Ford's attempts to restrict the supply of independently-produced body panels for the repair of its cars in the UK.

Independent panel producers claimed Ford used generous British design patent laws, which until recently offered protection for 15 years, to prevent independent producers from supplying the panels.

Ford has offered to limit to five years the period for which it will claim protection, the Commission said in a statement. After five years are up, Ford will withdraw its patent rights or grant licences on reasonable terms to others who wish to supply the panels, the EC statement said.

# Directors prepare for battle over scheme to capitalise goodwill

By David Waller

FINANCE directors of some of the UK's largest companies are preparing for a battle over plans to force companies to capitalise goodwill - the difference between the price paid for a company and its tangible net assets - on the balance sheet and subsequently write it off against profits.

Normal practice in the UK has been to write goodwill off against reserves immediately after an acquisition, thereby shielding the profit and loss account.

This is set to be outlawed in a forthcoming exposure draft from the Accounting Standards Committee.

Writing in today's Financial Times, Mr Roy Thomas, finance director of Fisons, condemns what he calls the ASC's "attempt to foist on (industry) impractical, highly theoretical standards." His views are shared by a number of leading finance directors.

Other finance directors who are vehemently opposed to the proposals include: Mr Iain Dobbie of Reckitt & Colman, Mr David Nash of Grand Metropolitan, Mr Hugh Collum at Smith Kline Beecham, Mr Neville Bain at Cadbury Schweppes and Mr Nigel Stapleton at Reed International. The finance directors of Hillsdown Holdings and United Biscuits are also opposed to the ASC's initiative.

There are only two finance directors on the 21-man ASC and both are against the proposals. Mr Derek Bonham, finance director of Hanson, and Mr Donald Main, finance director of Trusthouse Forte, both see some sense in the ASC's plan. Both, however, think it illogical that it should subsequently be written off against profits.

"There will be great concern among industry and shareholders," Mr Main said yesterday. "It will be difficult for management to say: 'we have made a good acquisition, which is good for the company, good for shareholders, good for earnings, but we're obliged to remove the value of the acquisition from our profits.' It doesn't make sense."

Mr Main, who is also chairman of the 100 Group's technical committee, said that soundings among his members suggested some sort of organised campaign would be launched.

Mr Michael Renshall, chairman of the ASC, defended the forthcoming exposure draft yesterday. "The present system has given rise to a number of instances where companies have written off goodwill and left themselves with severely depleted balance sheets. That is plainly ridiculous.

# London may lose grip on European hub

**Kevin Brown and Paul Abrahams** on the threat to Britain's place as airline crossroad

SIR ROBERT REID, chairman of British Rail, the state railway, was speaking for much of the UK transport industry when he warned earlier this week that London could lose its place as Europe's premier transport hub unless the Government sanctions massive investment in new rail lines.

The principal competition is for airline passengers, especially those changing from one airline to another, and for business and tourist travel.

For the moment, Heathrow remains Europe's busiest airport, with 58.3m passengers last year. But London is falling far behind the ambitious plans for improved surface communications to the airports emerging in Paris, Brussels and Amsterdam.

Aéroports de Paris (ADP), which runs the Paris airports, plans to increase the number of passengers passing through Charles de Gaulle, Roissy, and Orly airports from 45m in 1989 to 60m by 1995.

ADP is investing FFr8bn (£850m) on terminal improvements and a high-speed link from Orly to both Paris and Charles de Gaulle, which will be linked to the high speed train network by 1995.

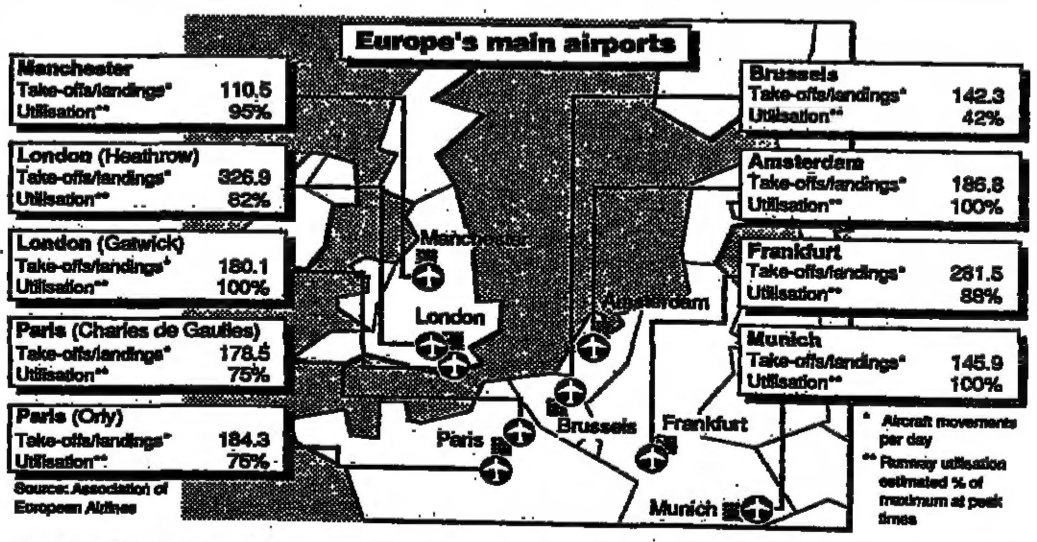
The story is similar in Brussels and Amsterdam, which will also be linked to the emerging European high speed train network.

All this is in stark contrast to the UK. Heathrow Airport is connected to central London by the slow Piccadilly Line Underground service and congested motorways. Gatwick and Stansted, London's second and third airports are also served by congested road and rail networks. The rail links to Gatwick and Stansted terminate at the overcrowded Victoria and Liverpool Street stations, where passengers are decanted into the equally overcrowded Underground system.

The Underground is also severely congested because of a 70 per cent increase in passengers in the last eight years.

Sir Robert claims the problems could be eased if there is progress on schemes such as the £235m Heathrow Express rail line, which will provide a 16 minute link to Paddington in West London and BR's high speed link from London to the Channel Tunnel, postponed last year when the Government refused to pay for environmental protection.

All these schemes are in difficulties: Heathrow Express is bogged down by opposition in Parliament; and decisions on East-West Crossrail, Chelsea-Hackney and the high speed line have been postponed.




In theory, these lines would allow fast trains to run between all three London airports, and via the Channel Tunnel to the high speed network in Continental Europe.

But even if the money was available, the schemes would still have to overcome the UK planning system, under which projects are authorised through private parliamentary Bills, vulnerable to the sort of interference which has delayed the Heathrow Express Bill.

In the longer term, however, the availability of runway capacity will be as important as surface capacity in determining which airports will be the hubs of the future.

Gatwick airport is operating at 100 per cent capacity at peak times, while Heathrow is running at 82 per cent of capacity. There is no room at Heathrow to build another runway, and the Government has promised that a second runway at Gatwick will not be permitted.

BAA plans to increase the number of passengers handled by Stansted from 1.5m to 8m a year once its new terminal is open in 1991. Parliamentary approval would be needed to expand the airport to its capacity of 15m passengers a year.

Some extra capacity might be added if the airlines flew larger aircraft. But the trend in the US towards a hub and spoke system suggests European airlines will want to increase the number of smaller aircraft flying from satellite airports feeding larger hubs.

# Delays cut to 30 minutes at largest airports

By Paul Abrahams

DELAYS at the four largest UK airports during the summer decreased from 32 minutes on average in 1988 to 30 minutes last year.

The Civil Aviation Authority (CAA) explained that punctuality at Heathrow, Gatwick, Manchester and Birmingham between April and September would have been better in both 1988 and 1989 but for industrial action by Greek air traffic controllers in July.

It explained that if delays caused by Greek controllers were discounted, the figures would show an average delay of 28 minutes for both years. This is despite an increase of 7 per cent in air traffic in 1989.

In September last year, 57 per cent of flights at the four airports were 'on time' – defined as early to 15 minutes late – compared with 55 per cent in September 1989.

The CAA statistics do not give the cause of delays. These include weather, industrial action, air traffic control problems, missing passengers, security holdups, baggage reconciliation and aircraft unserviceability.

● Mr Cecil Parkinson, the British Transport Secretary, is to meet Mr Samuel Skinner, his US counterpart, at the end of this week.

They are expected to discuss air services between the UK and the US. The British Government is anxious to gain greater access for British airlines to the US domestic market, while the US is keen to gain extra take-off and landing slots in the UK. They also plan to discuss airport security.

● British Airways is launching a new passenger catergory aimed at business travellers on US routes.

The brand, called Economy Select, is for passengers who pay full economy fares on flights to Houston and Dallas/Fort Worth. The eight month pilot project starts next month.

Select will offer a dedicated check-in, advance seat reservations and a separate cabin with larger seats.

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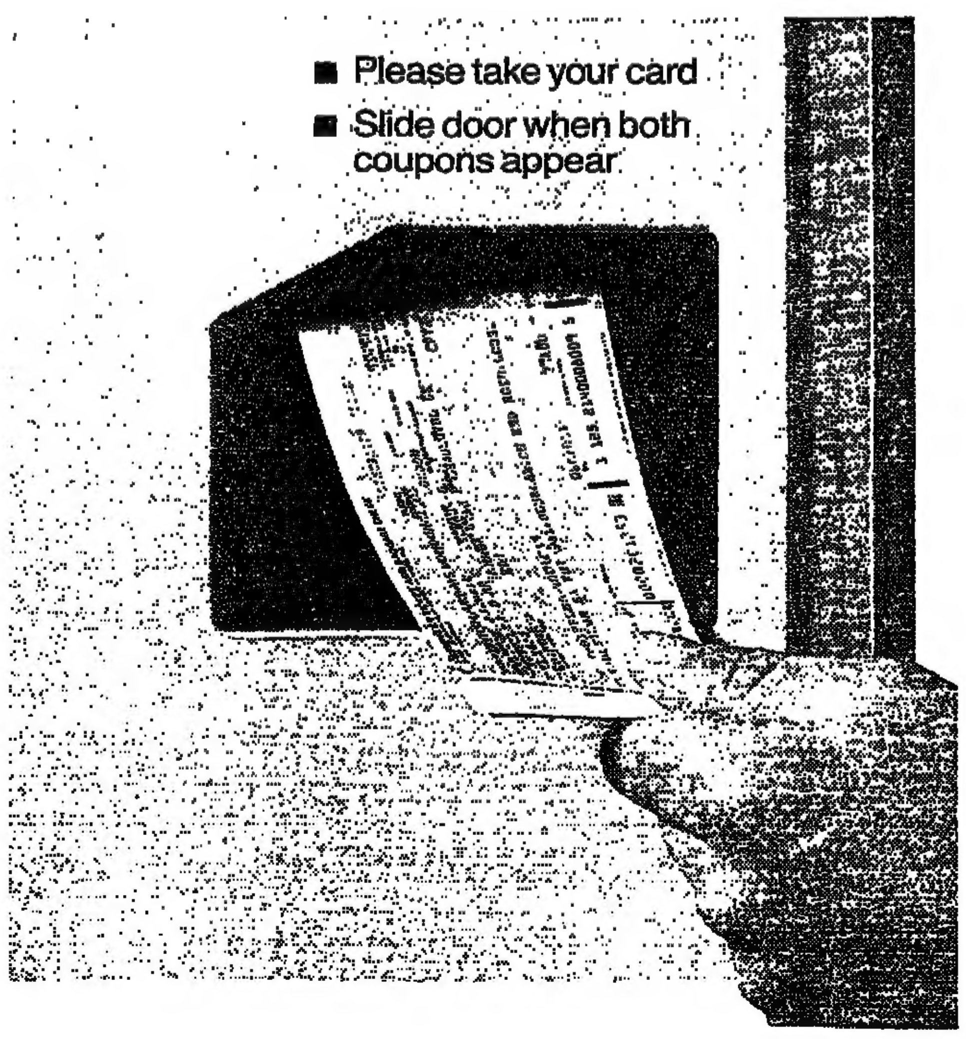


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UK fashion retailing

# Capitalising on the fruits of knowledge

**Maggie Urry on Marks and Spencer's 100 best selling lines**

Too often retailers – and others – can get carried away with the exciting new products they are introducing, and forget about the bread and butter lines where much of their profits are made.

Eighteen months ago Marks and Spencer, Britain's most profitable retailer, realised that it did not know exactly which its best-selling clothing lines were, though buyers had a good idea. More important, M and S decided it should find out what made a best seller and how it could capitalise on that knowledge.

The fruits of that programme are becoming apparent in the current autumn/winter season, and M and S reckons that its best sellers will become worldwide successes as its empire grows. The group now has stores in North America, Japan, Hong Kong, Europe and – through franchises – elsewhere in the world.

A best-selling line is likely to be much more profitable than a slow mover, even if that carries a higher gross margin. A best seller can be carried over from season to season, thus avoiding expensive stock write-downs. A best seller pays back its design and other initial costs across a larger number of sales, and buying in bulk cuts the cost. Net margins on the best sellers can therefore be higher than others.

Andrew Stone, divisional director in charge of mens and childrenswear, says M and S's top 100 lines are the "heartland of the business". When buyers and suppliers work on new lines they aspire to make them top 100 lines.

The first problem the company faced was how to select the best sellers among its clothing and footwear ranges, which amount to around 600 lines. A "line" covers the same style of garment, which can come in a variety of sizes and colours.

Despite the help of its electronic point-of-sale data, it took some effort to narrow down to 100 top selling lines. Eventually the cut-off point was set at £4m of sales in a single season. However, many of the 100 produce turnover in excess of £10m a season, making them important profit earners for the group. Together the top 100 should turn over £600m in the current season.

Once found, the 100 lines were displayed in a room and a number of M and S people from Lord Rayner, the chairman, down, spent half a day looking at them to work out what the lines had in common.

Various statistics were produced, for example, to see how the lines fitted into price categories – 50 per cent of them fell into one of four prices: £14.99, £16.99, £19.99 and £29.50. A quarter were at the £19.99 price, and two-thirds came into the mid-price category.

Figures were also produced to show how the lines sold across the chain. Because of the size of the flagship Marble Arch branch and its large numbers of well-heeled Londoners and tourists, M and S can stock a wider range of goods. Here the top lines represented 40 per cent of sales.

The clothing division directors assumed that in the smaller, provincial stores, the top 100 lines would account for a much larger percentage – perhaps 70 per cent of turnover. They were surprised to find they made up only 52 per cent of sales.

This suggested that the ranges were not being stocked in sufficient depth in the smaller stores, as the group tried to put too much of the Marble Arch style and range in stores such as Burnley.

At the start of this autumn/winter season a fashion show of the top 100 lines was presented to all the store managers, who are involved in the choice and presentation of goods in their stores, so that they were made aware just how important these lines were to their profits. The percentage of clothing sales in the smaller branches from the top 100 lines is expected to increase as a result.

The top executives in the clothing division discovered that while some areas were well represented in the top selling ranges – ladieswear for example has 40 of the top 100 in the current season and men's shirts and tailoring are well featured too – there were also some gaps. Not many of the men's socks lines, for instance, were among them.

That has encouraged changes in men's socks – the most noticeable for customers being that instead of two sizes of lambswool/nylon mix socks, there are now three. The feet of British men vary widely in size, but the majority fall into the 8-9½ range. In the past, the smaller size of M and S men's socks fitted feet sized 6½-8½ and the larger size covered the 9-11 foot sizes.

The three new sizes are 6-7½, 8-9½, and 10-11½. Thus the range is extended by half a size at each end, and all men should find their socks a better fit. Further, the men with size 8½ and 9 feet, the two most popular sizes, will be comfortably in the middle of the middle-sized range.

Other changes have been made to the socks' composition and the way that the sock is made to minimise the ridge normally found inside the toe. Such details may seem minimal, but they can make all the difference to the comfort of the wearer, and so his willingness to make repeat purchases.

The philosophy behind this sort of change, explains Guy McCracken, the technical divisional director of clothing, is the question constantly asked in the business about the merchandise: "is the standard of two or three years ago still good enough?". Only by continuing to improve the lines will they remain top sellers.

The technologists also have to ensure that the standard of manufacturing is maintained across huge volumes. A bra, for instance, can be made up of 15 components bought from nine different suppliers. All the components have to be precisely the same colour. When made up, each bra has to be exactly the right size, quite a feat for a manufacturer which will be producing hundreds of thousands of bras.

In men's shirts, already well represented in the top 100, M and S has decided that two-piece collars should be the standard, an improvement from the one-piece collar. A two-piece collar gives a better fit and is more comfortable to wear, but it is harder to make, since the machinist has to sew round a curve. The group's suppliers have been trained to do this.

Technology has also enabled the group to come up with an easy-to-iron pure cotton shirt. Buyers have recognised that customers will opt for "easy-care" mixtures of cotton and polyester rather than spend hours ironing pure cotton shirts. With the introduction of the easy-to-iron cotton shirts, sales of pure cotton shirts have risen seven-fold.

The purchase of Brooks Brothers, the US menswear retailer, in 1988, is also producing spin-offs. Brooks Brothers was able to persuade M and S that its lambswool jumpers were better because of the way the neck was finished. M and S has incorporated that change into its own jumpers. Similarly, an M and S version of the famous Brooks Brothers button-down shirt has now appeared in M and S stores.

Another success in the men's department is the range of £11.99 polo shirts. Originally limited to a few basic colours, they were recognised as a potential best seller. The clothing group capitalised on it by introducing a wider selection of colours – there are 26 different ones in the current season's range, and new ones will be introduced as fashion colours change. Striped polo shirts have been introduced, and, because chambray (a denim-look fabric) is currently popular, stripes in this colour have been introduced.

Stone is clearly delighted by the way these shirts – which are more of a summer line – have been snapped up as Christmas presents, and the line is now one of the top sellers, selling at a phenomenal rate even in the winter.

There could be a problem if the concentration on the top 100 lines meant that the clothing division became less flexible. But M and S argues that that will not happen. The best-selling lines are not confined to the boring basics but "have an excitement of their own," says Stone. New lines will come into the top 100, and he predicts a jacket, based on a Brooks Brothers-style worn by Frank Sinatra, and recently introduced, will become a top 100 line.

*M and S's 100 best-selling lines include lambswool sweaters, polo shirts, and pure cotton men's shirts*

# Lager market still frothy

**Philip Rawstorne assesses the growth potential of a sector of the UK drinks industry which currently has around 340 brands**

Will the lager bubble burst? That is the question Richard Brown, marketing director of Guinness-owned Harp Lager, has been asking about the next decade in the UK beer market.

Over the past 20 years, lager's share of the market has grown from 5 per cent to nearly 50 per cent. A new brand of lager has been introduced every four weeks or so, giving today's consumer a choice of around 340 different brands. Between 1980-88, new brands of premium lager – stronger and more expensive – were being introduced every 16 days on average.

Brown turned to the Henley Centre's market researchers to find whether this growth is likely to continue. "The answer," he says, "is emphatically yes."

Henley's forecasters do not see much scope for growth in the total beer market. Demographic and social trends suggest that consumption is unlikely to rise by more than 5 per cent over the next decade.

The changing age structure of the UK population will result in a decline of 23 per cent in the number of 18-25 year-olds by 1995. This is the heaviest-drinking age group, currently 14 per cent of the population but accounting for 25 per cent of beer sales.

People over the age of 25 visit pubs only half as often as younger adults.

The shifting pattern of employment from blue to white collar occupations will also affect drinking habits. By 1995, there will be a million more professional ABC1 employees and 400,000 fewer C2D operatives and labourers, who tend to be the more frequent pub visitors.

"The pub is not the centre of the community that it used to be," says Brown, "and it will be able to rely less on regular, loyal, immobile custom."

During the 1990s, the focus on the home will increase. The growth in home ownership will continue; as will spending on "feathering the nest." The expected increase in home entertaining augurs well for off-licence trade, Brown suggests. Women drink alcohol at home almost as often as men.

Henley predicts that the increasing financial independence of women and their role in the community will influence drinking habits in other ways. A third of men today believe they have some attitudes and values which might once have been considered more female. By the year 2000, these "new men" will account for 50 per cent of males.

"The new man doesn't visit the pub to knock back eight pints a night," says Brown. "The 'big swallow' will decline as a social pastime."

Moderate drinking will be further encouraged by health concerns. Sixty per cent of ABC1s believe that drinking may be bad for their health – though only 14 per cent would choose to reduce their consumption, and most consider it less damaging than lack of exercise, unemployment, or promiscuous sex.

"We're also becoming more concerned about quality," Brown claims. "People want to drink less but drink better."

## New brands of premium lager were being introduced every 16 days

The growth in premium brands encouraged by this trend will continue, he suggests. But it will be accompanied by an increase, too, in discount brands.

Though Henley predicts a generally more affluent society in 2000, with leisure spending 37 per cent up, it says there will be no real increase in the income of 40 per cent of the population.

Some 25 per cent of people, Brown adds, claim now to put price before quality and image when buying beer to take home. Among lager consumers, there were some who bought cheap on some occasions in order to afford premium prices on others.

"This behaviour will increase, creating a more difficult environment for the middle range, mainstream brands."

The overall conclusion of the Harp/Henley study is that by the end of the decade, beer consumption in pubs and clubs will have fallen by 11 per cent, the equivalent of some 4m barrels.

But the off-licence market will have grown by 74 per cent from around 7.5m barrels to more than 13m barrels. It will then account for 32 per cent of all beer sales compared with 19 per cent at present.

"For the pub trade, the picture is not rosy," Brown says. "Unless our industry changes to attract the older, more affluent consumer, women and young families into the pub, it will lose and lose again as the number of young drinkers declines and cultural values harden against volume consumption."

The decline threatens bitter and mild ale, Brown claims. Lager sales in the pubs will increase to account for 55 per cent of total beer by the end of the decade.

"Standard lager will decline," Brown says, "so the increase in total lager will come from the doubling of premium lager sales."

Two generations have now acquired a taste for lager as they have grown up, and all the research suggests they are unlikely to lose it. "They are the lager literati," Brown says. "They are well versed in the repertoire of brands and dip into it for what suits the occasion, their mood, or circumstances."

Apart from their influence, the other factors that have encouraged growth since 1960 – the trend to lighter drinks, lager's more easily acquired taste and greater appeal to women – will continue to play their part in consolidating its position in the market.

In the off-trade, the forecast is that lager sales will almost double over the next 10 years – though that is less than half the annual growth rate of the past decade – to take its market share to 71 per cent.

"In this sector we see ale losing share but gaining volume," Brown says. "That growth will be led by premium ales."

Retailers, he predicts, will become choosier. "They will rationalise brands in the middle ground. Fewer, bigger brands is the blueprint for tomorrow with an increasing emphasis on value-for-money and bulk packs.

"Pressure on space will make it harder and costlier to launch successful, profitable new premium brands. But lager will continue to froth."



## LEGAL NOTICES

THE MERSEY DOCKS AND HARBOUR COMPANY
NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of The Mersey Docks and Harbour Company will be held in the Port of Liverpool Building, Pier Head, Liverpool at 12 noon on Tuesday 6th February, 1990 when the following resolution will be proposed as a special resolution.

"THAT the Bill, introduced into Parliament, promoted by The Mersey Docks and Harbour Company in the session 1989/90 and entitled

'A Bill to confer additional powers upon The Mersey Docks and Harbour Company; to amend the Mersey Docks and Harbour Act 1971 and the Mersey Docks and Harbour Act 1988; and for connected or other purposes',

which has been submitted to this meeting be and the same is hereby approved subject to such additions, alterations and variations as Parliament may see fit to make therein and The Mersey Docks and Harbour Company may approve".

Copies of the Bill may be inspected and copies obtained at the price of 50p each at the office of the Secretary at the address below and at the offices of Messrs. Rees & Freres, 1 The Sanctuary, Westminster, London, SW1P 3JT, during normal business hours on any weekday (Saturdays and public holidays excepted) upto and including 5th February, 1990, and at the Extraordinary General Meeting.

By order of the Board,
W.J. Bowley,
Secretary.

Port of Liverpool Building,
Pier Head,
Liverpool, L3 1BZ

11th January, 1990

No. 007388 of 1989
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
ERA GROUP PLC
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Court Order dated 18 December 1989 confirming the cancellation of the Share Premium Account of the above-named Company was registered by the Registrar of Companies on, and the said cancellation of the Share Premium Account takes effect as from, the 23rd day of December 1989.

A copy of the said Order will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

Dated this 11th day of January 1990.

Wilde Sapte
Queensbridge House
60 Upper Thames Street
London EC4V 3BD
Solicitors for the above-mentioned Company

SPORTS & LEISURE MARKETING LIMITED

Registered number [illegible]
Nature of business: Suppliers of health and fitness equipment
Trade classification: 15
Date of appointment of administrative receiver(s): 3 January 1990
Name of person appointing the administrative receiver: Meghraj Bank Limited
Administrative Receiver: Surjit Kumar Singla, FCA
(Office holder no [illegible]) of 40 Queen Victoria Street, London EC4N 4SA

## COMPANY NOTICES

Samsung Semiconductor and Telecommunications Limited
US $30,000,000 Floating Rate Notes due 1994
Guaranteed by
Samsung Electronics Company Limited

For the six months from 10 January 1990 to 10 July 1990 the Notes will carry an interest rate of 8⅝% per annum. The interest payable on the relevant interest payment date 10 July 1990 will be US $4,338.46 per US $10,000 Note.

Agent Bank
Chemical Bank

CHEMICAL NEW YORK CORPORATION
USD 250,000,000 FLOATING RATE SUBORDINATED CAPITAL NOTES DUE OCTOBER 1997

In accordance with the provisions of the notes, notice is hereby given that for the interest period from 11 January 1990 to 11 April 1990 the notes carry an interest rate of 8⅛ per cent per annum. The interest payable on the relevant interest payment date 11 April 1990 against coupon no. 17 will be USD 1,046.87 per USD 50,000 note.

Agent Bank
Chemical Bank



SOLVAY AND CIE

The Directors of the Company have declared an Interim Dividend for 1989 of 100 FB net on Bearer Shares.

Payment will be made by Belgian Franc Draft, or, in Sterling at Bankers Sight Buying Rate for BF's on day of presentation of Coupon No.44 at the offices of Schroder Investment Management Limited, 36 Old Jewry, London EC2R 8BS or Banque Belge Limited, 4 Bishopsgate, London EC2 between the hours of 10AM and 2PM (Saturdays excepted) on or after Tuesday, 23rd January 1990.

UK tax will be deducted from the Net Dividend unless lodgements are accompanied by the necessary affidavits.

Payment can only be made to persons residing outside the Belgo/Luxembourg Customs Union.

Under the terms of the UK/Belgium Double Taxation Convention shareholders residing in the UK are eligible upon submitting a duly completed form 276 Div (GB) to a partial reimbursement of Belgium Withholding Tax equal to 13.33% of the Net Dividend.

Further information if required can be obtained from the above-mentioned agents.

LEUMI INTERNATIONAL INVESTMENTS NV
US $20 MILLION GUARANTEED FLOATING RATE NOTES 1990 SERIES "B"

The interest rate applicable to the above Notes in respect of the three months period commencing 11th January 1990 has been fixed at 8 9/16% per annum.
The interest amounting to US $21.41 per US $1,000 principal amount of the Notes will be paid on Wednesday 11th April 1990 against presentation of coupon No. 37.

BANK LEUMI TRUST COMPANY OF NEW YORK
Principal Paying Agent

bank leumi בנק לאומי

ML HOLDINGS PLC
Ordinary Shares of 5p

NOTICE IS HEREBY GIVEN that the Transfer Books and Register of Members will be CLOSED for one day only on 27th January, 1990.

By Order of the Board
J.D. Loveridge
Group Secretary

11th January 1990

## CONTRACTS & TENDERS

PORTSMOUTH CITY COUNCIL
SELECT LIST OF TENDERERS
STREET AND OTHER CLEANSING SERVICE

In accordance with the Local Government Act 1988, Portsmouth City Council intends to invite tenders for its comprehensive Street and Other Cleansing Service. The contract will commence on 1 January 1991 for a period of four years with an option to extend for up to a further two years.

The contract will consist of the following elements:

(i) Sweeping of Streets
(ii) Removal of Litter
(iii) Cleansing and Washing of Pedestrian Precincts
(iv) Emptying and Cleansing of Litter Bins
(v) Cleansing and Littering of Tourist Areas including Beaches
(vi) Graffiti Removal from Bridges and Underpasses
(vii) Litter Removal from Open Areas
(viii) Cleansing and Littering of Car Parks
(ix) Emptying of gullies
(x) Cleaning of traffic signs and street name plates

The City comprises of 4,042 hectare, 45 Km principal roads of dual width, 31 Km classified roads, 309 Km unclassified roads. The normal resident population is approaching 187,000 and is considerably increased during the summer months.

In the first instance, applications are invited from contractors interested in being considered for inclusion on the Council's select list of tenderers.

The Specification and Conditions of Contract will be available for inspection, free of charge, between 9.30am and 4.00pm Monday to Friday from 14 February 1990 to 28 February 1990 at the offices of the Director of Engineering, Civic Offices, Guildhall Square, Portsmouth PO1 2AS. During this period prospective tenderers can obtain copies of the documents from the above address for a payment of £50.00 each.

Applications from contractors wishing to be considered for inclusion on the select list must be received by the Director of Engineering no later that noon on 28 February 1990. Contractors will be required to complete a detailed questionnaire which is available on request and must be returned by the closing date for the select list of tenderers.

It is anticipated that selected contractors will be invited to tender for this contract in April 1990.

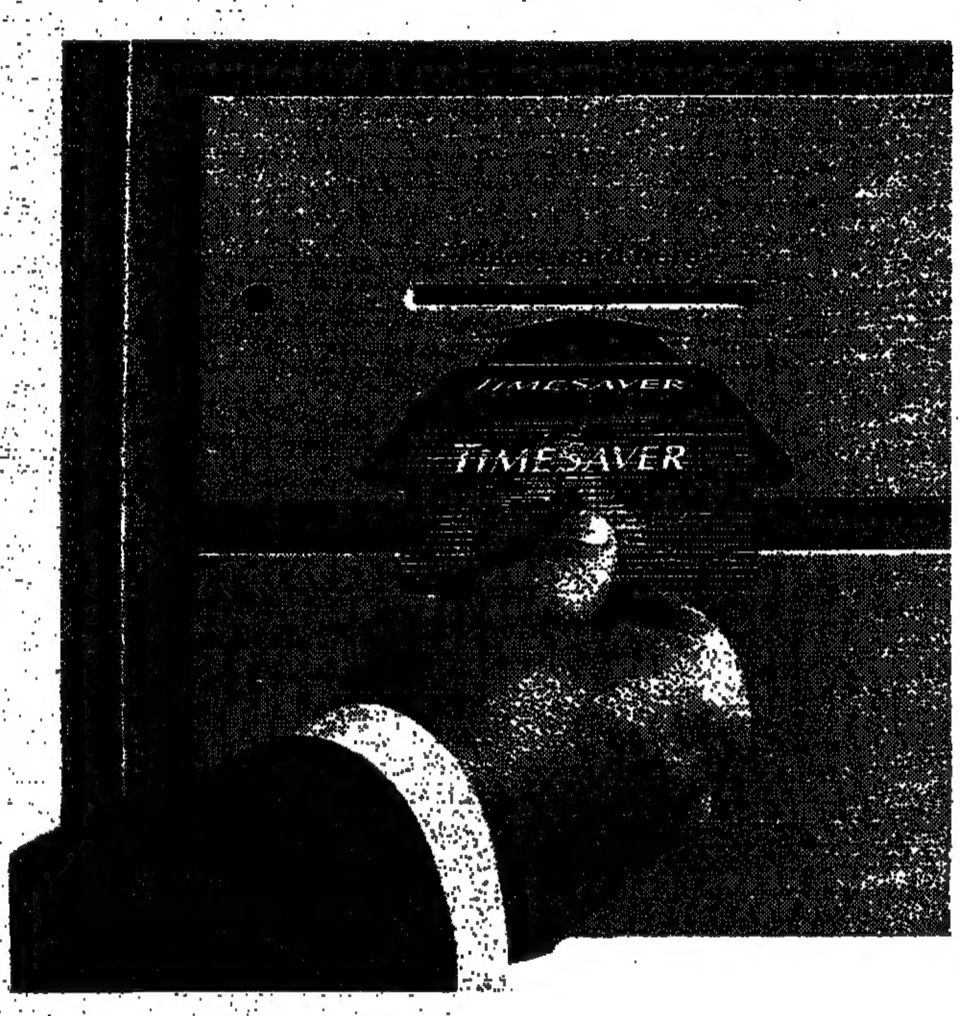
CITY OF
Flagship of Maritime England
PORTSMOUTH

## TRAVEL

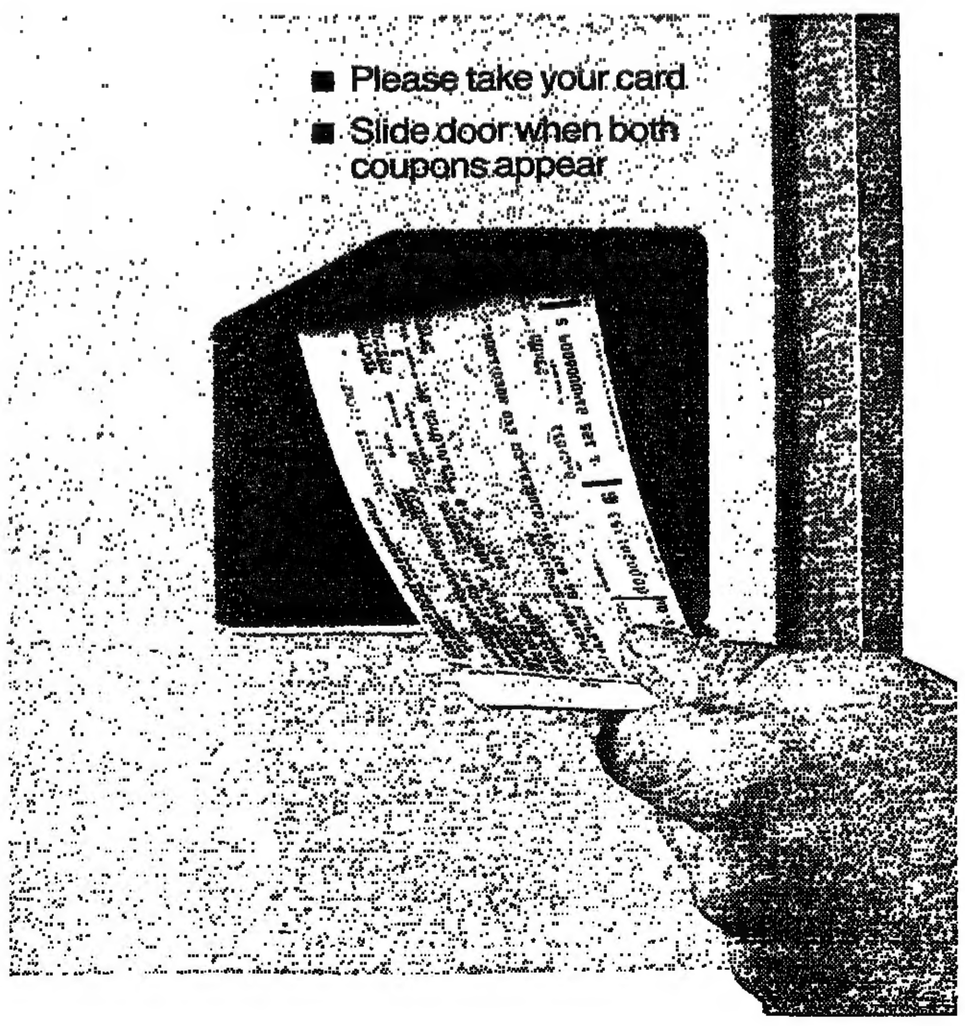


## CLUBS

# This is for businessmen who don't even have time to read advertisements.




Call 0345 345757 for more information.




SUPER SHUTTLE EXECUTIVE

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ARTS

CINEMA

# Families all strung up

IN COUNTRY
Norman Jewison

PARENTHOOD
Ron Howard

TURNER AND HOOCH
Roger Spottiswoode

ROSALIE GOES SHOPPING
Percy Adlon

LADDER OF SWORDS
Norman Hull

AMERICAN STORIES
Chantal Akerman

America is fascinated by the family. Given the country's history, how could it be otherwise? It came into being by acting out its very own Oedipus legend. It slew its father (the Red Indians) and married its mother (the land). Then a little later, it blinded itself by creating that blinkered dreamland we call Hollywood.

Today more than ever in American cinema, the forces of all-seeing truth are outnumbered by the forces of "pass the blindfold" wish-fulfilment. The two sides slug it out again this week. *In Country* is an (over)earnest bid to bring home the reality of Vietnam and make it part of the family. (It scores five out of ten on the reality-meter). *Parenthood* is a sentimental comedy drama about family life (four out of ten). And *Turner And Hooch* is escapist froth from Disney about a detective and his dog (minus-one out of ten).

In Tinseltown's history, we have never seen so many movies as in recent months about domestic bonding and battling. (In America, of course, even a dog is family.) *In Country*, directed by Norman Jewison from a novel by Bobbie Ann Mason, lifts the Vietnam War out of South-East Asia and plants it down in the small town of Hopewell, Kentucky. Even the battle flashbacks that explode in the mind of grizzle-moustached Vietnam veteran Bruce Willis were filmed in the Deep South's bayou country: partly, no doubt, because the film's budget couldn't stretch to Asia but also, one suspects, because Jewison and screenwriters Frank Pierson and Cynthia Cidre want us to see the war memories seeding themselves in the landscape of home.

*In Country* is an exasperating blend of the striving and the sublunary. The central character is Willis's niece, played with full Southern twang by our own Emily Lloyd (of *Wish You Were Here*). This blonde, gutsy, flailing girl feels suffocated by small town life. "Ah feel ah'm goin' nertz!", she says: and we know the feeling. But part of the heroine's nutsiness is due to the fact that no one – not her mother (Joan Allen) who has scooted off to the big city with a new beau, nor tight-lipped, traumatised Uncle Bruce – will tell her how her Vietnam-serving father died. Enemy action? Friendly fire? What?

The movie, with the best of intentions, grinds on. It has little idea of where it is going and less idea of when to stop. And though Lloyd makes a fine fist of the main role, clenched teeth are more appropriate than clenched knuckles when delivering dialogue like her wistful address to Dad's photo: "You missed Watergate, *ET*, the Bruce Sringsteen concerts . . . Gahd, you missed everything."

Ultimately, the film misses everything. Bruce Willis's battle-shocked ex-soldier never seems battle-shocked enough. (His big scene of striding into a thunderstorm storm and crying "Show me your face!" to an invisible God seems to come from another film.) And the symbolic synergy between the dying pains of Vietnam and the growing pains of the heroine is never properly worked out. The climax at the Washington Memorial, when Lloyd and Willis at last confront Dad's name on the roll of the dead, has none of the emotional punch it should. At the similar climax to Coppola's *Gardens Of Stone* I was drenching my handkerchief.

★

In *Parenthood*, directed by Ron Howard *(Splash, Cocoon)*, we move to a different town – St Louis – and different family problems. But we still sense an invisible puppeteer twitching the characters' strings for sentimental or sententious effect.

Since there are ten main characters in this marionette show, the strings end up getting desperately tangled: especially since personality reversal is the order of the day. Steve Martin's silver-haired quipster of early reels turns into a warm and weepy Dad by the finale. (Mainly because his backward son triumphs over baseball butterfingers.) And Martin's divorced sister Dianne Wiest, early glimpsed in hilarious shock after finding polaroid snaps of daughter and daughter's oafish boyfriend making love ("I think I like this one best" she bleats tonelessly), later turns into a doting would-be mother-in-law.

The other characters are all scripted for chronic but curable immaturity; and all are likewise marionetted in the direction of greater wisdom. They include Rick Moranis, Martin's nutty brother-in-law, parenting his three-year-old daughter with higher maths and kung fu training; Tom Hulce, Martin's gangster-chased younger brother; Mary Steenburgen, Martin's sweet, overanxious wife; Jason Robards, Martin's crusty Dad; and heaven knows who else.

The problem is not the large cast but the way that over two hours all the main characters are dragged, by the scruff of their psyches, from bright comedy to sentimental stock-taking. "Ah yes," the film ends up nodding, in best bedside manner, "parenthood is a serious business." Yes, yes, of course. But who needs doctor's truisms in a film which, left to its own infectious comic devices, might have given us more anarchy in the casualty ward and less pomposity in the consulting room?

Emily Lloyd in 'In Country'

★

Grown-ups, children . . . what is left? Ah yes, animals. In Hollywood, when it comes to assaulting filmgoers with animal movies, it never rains but it paws. Having made one comedy-with-schmaltz about a cop and his dog *(K-9)*, Tinseltown now unrepentantly makes another.

In *Turner And Hooch* Tom Hanks is Turner and something large, hairy and slobbering is Hooch. It is, on closer inspection, a bulldog. Or something resembling one. But this is one film which, on closer inspection, encourages remoter inspection. "Beasley," who plays Hooch, is not the cinema's cuddliest dog since Lassie and the plot is a rag-bag of pratfalls, lame jokes and sentimental nudges: directed for no more than it is worth by Roger *(Under Fire)* Spottiswoode. We can but give thanks for Mr Hanks, who not for the first time – indeed for about the fifth – stands head, shoulders and tousled hair above his material.

★

"Ro-sa-lie! Ah close mah eyes and you're a-ll I see!" warbles the song over the credits of Percy Adlon's *Rosalie Goes Shopping*. How we would love to love this film: continuing as it does the American adventures of Herr Adlon's favourite star Marianne Sagebrecht. This large lady, a chubby chaser's Marlene Dietrich, was last seen in the estimable *Bagdad Cafe*.

But Adlon, having bitten off more Sagebrecht this time than he can chew, shoves in large quantities of cream and sugar to help it go down. Shot in candy-floss hues, the movie is 94 minutes of *echt*-Bavarian comedy-kitsch. Managing seven children and a retarded husband (Brad Davis) who makes aeroplane noises at the dinner table, our heroine does what a woman's gotta do to keep the budget afloat. She forges cheques, hornswoggles banks and goes credit-card crazy. Then she launders her conscience by confessing to a dumbstruck young priest (Judge Reinhold).

Laugh? You wish you could. But Adlon overplays each scene with almost criminal abandon. The satire on American manners and morality is puerile. And you never believe either in Miss Sagebrecht's feckless family or in the possibility of their living ten minutes in Arkansas without being drummed out of town for un-American activity (or inactivity).

Can a bad week at the movies get worse? I fear yes. So let us hasten with rolled-up trouser legs over the two remaining quagmires. *Ladder Of Swords* is a goofy British yarn about a murder-suspected gypsy (Martin Shaw), his wife (Eleanor David) and his young lover (Juliet Stevenson). A dancing bear called Daley is also involved and may be helping police with their enquiries. He cannot, unfortunately, help director Norman Hull make head or hind-quarters of this inconsequential, drably-shot fable.

Chantal Akerman's *American Stories* is a frightful aberration from the Belgian director of *Jeanne Dielman* and *Toute Une Nuit*. Jewish immigrants in New York (or rather actors badly playing them) stand before the camera telling jokes, life stories and sob stories. A sort of music-hall *Shoah*, in short; but at 97 minutes not short enough.

**Nigel Andrews**

# Scenes from an Execution

ALMEIDA THEATRE

A new theatrical chapter has opened in Islington. The always stimulating Almeida Theatre looks set to provide some of the most consistently exciting stage work in the capital in the near future: Claire Bloom in Ibsen, Nicholas Hytner directing Ben Jonson, Andrei Serban producing his *first non-operatic* work in Britain . . . And the new management of Ian McDiarmid and Jonathan Kent kicks off with Glenda Jackson in a play by modish (to some) Howard Barker, whose *Seven Lears* was reviewed here by Claire Armitstead this week.

*Scenes from an Execution*, with Jackson, won the awesome Prix Italia in its original Radio 3 life in 1984. McDiarmid, a devoted Barkerian, now brings it to the stage; to modified rapture.

In *cinquecento* Venice, the Most Serene Republic commissions a vast painting to commemorate the defeat of the Turks at Lepanto from the artist Anna Galactia. The character has something of the historical Artemisia Gentileschi to her: that unflinchingly vengeful woman painter who brought her rapist to justice despite the ordeal of interrogation and torture. Galactia's work depicts torn flesh and panic, the cruelty of authority and the abandonment of war's victims. *La Serenissima* is not amused. The artist, humiliated and imprisoned, is unrepentant. Ironically, the picture becomes a huge public success.

In portraying the anti-art, pro-state faction, the author seems to tangle two threads (which Marina Warner's programme note does not): the politically expedient and the aesthetically blinkered. The state's dismay at a national monument turning out a grim catalogue of slaughter is understandable, but there seems some confusion over the motives of the recoiling Doge (played with exquisitely thoroughbred exasperation by Jonathan Hyde). He alternates the role of Philistine rejecting the offensive in aesthetic shock with that of the connoisseur, aware of the painting's true merit.

This ambiguity enables the author to get in some vaguely satirical prods at official attitudes to culture, but for the most part the play has little new to say about the lone integrity of the artist. It revolves round Glenda Jackson's Galactia, her most assured stage performance for years. Gone is the compulsively nodding, head-dipping nervous mannerism that marred even *Strange Interlude*. The technique is spare, confident, authoritative; and the vocal mastery is less of a show-off exercise than it was in *Phèdre*. Here the throaty snarl, chesty baying and venomous quaver are in place, scoring emotional bull's-eyes every time.

David Fielding's handsome set places the action against charcoal-black curves criss-crossed by white lines on which are chalk drawings, among them artist's anatomical sketches and Leonardo's engines of war. Panels slide open for Galactia's bed alcove or the gallery where the lower rim of the huge golden frame of her scandalous masterpiece can be glimpsed.

The play is ultimately scuppered by Barker's style, which Polonius would categorise as anaemical-epical. Metaphors that don't quite come off, rhetoric so clipped that it sounds constipated, a fatal conflict between chiselled discipline and full-blown floridness.

The writer may have had a whale of a concept, but all he finally produces are a few artfully scrimshawed splinters of a play.

**Martin Hoyle**

Jonathan Hyde and Glenda Jackson

# Italian theatre's gifted rebels with a cause

It is characteristic of the Italian theatre to produce rebels, who, after some years of railing against the Establishment, become accepted, tamed.

*Sylvano Bussotti, long the "bad boy" of Italian music*, in middle age has become a director of the Biennale and his operas are performed in such seats of tradition as La Scala and the Rome Opera. Carmelo Bene, who first attracted national attention by urinating on a critic, now receives government grants for his outrageous behaviour and appears on the state *television. Another, and more gifted* rebel, Dario Fo – though he, too, appears on TV (most recently as a pettifogging lawyer in a dramatisation of Manzoni's *The Betrothed*) – has managed to retain his anti-bureaucratic anger and, with it, his capacity to shock as he amuses.

His latest show – as usual, he is author, director, designer, and composer – is entitled *Il papa e la strega (The Pope and the Witch)* has been on tour in northern Italy. During its stay at the Teatro Stabile in Genoa, it attracted capacity audiences and sparked considerable debate. Some of the debate was sponsored by the company itself, and Fo and his co-star and wife Franca Rame actively participated. For the plays's subject is eminently polemical: it discusses, indeed supports, the legalisation of drugs.

As Fo explains in a pre-curtain speech, this does not mean that drugs should be distributed freely, without controls. Rather, according to its proponents, this system would eliminate illegal sale, reduce the contagion of AIDS through unsanitary syringes, and – if not cure addiction – at least foster treatment.

In Italy as everywhere else, *this is a* highly sensitive and polemical position, which Fo expounds in his play through extreme arguments, setting out from a wonderfully absurd *donnée*. It is not always easy to agree with Fo, but it is difficult not to laugh with him, especially when – as in this new work – he gives himself *such wonderful lines and scene.*

The first act opens in the Vatican, where a cardinal, a papal private secretary, and an attendant nun are all concerned about the depressive state of the pontiff (played by Fo). The papal physician, a psychiatrist, arrives with his assistant (Franca Rame), who wears a nun's habit but, as we soon learn, is in reality a witch and a pro-legalisation activist. After hypnotising the pope, she seems to have cured him, but when he irritates her, she turns her witchcraft on him again and immobilises him with sciatica.

When this crippling ailment forces him to capitulate, the pope comes to the witch's rehab centre, has a nasty encounter with some gangsters, and is given a shot of horse. Back at the Vatican, his sciatica cured and his mind opened, the pope issues an encyclical declaring a new attitude towards drugs.

But this story is only a line, on which Fo hangs out his whole array of comic tricks and barbs directed at political figures (including the Communist leader), at the incumbent pope, at television. He and Rame in their many years together have developed a kind of telepathic collaboration, so there is ample room for improvisation, ad libbing, mugging, clowning. Rame's witch, now and then, slips into a disagreeable, hectoring tone that, though obviously sincere, works against the pace of the play and, indeed, against the efficacy *of its message. Still, Il papa e la strega* is a captivating piece, less aggressive than some earlier Fo, but no less inspired. If its purpose is to stimulate new thinking, that purpose is achieved.

★

In Milan, the Piccolo Teatro has revived a success of last season, *La regenerazione*, a late work by the Trieste writer Italo Svevo. Written in 1927 (Svevo died, after an automobile accident, in 1928), the play has all the bitter irony and the penetrating wit of the author's masterpiece, the novel *The Confessions of Zeno*, written a few years earlier.

It is a play about old age, death, mourning, about family ties and modern medicine, about dreams and reality. The protagonist is Giovanni Chierici, a man in late middle age, whose family life is dominated by the histrionic mourning of his recently-widowed daughter. While she refuses an offer to remarry, Giovanni himself is considering a new and experimental rejuvenating operation. The operation seems to succeed (and Giovanni makes an innocent pass at the sexy maidservant); but its real result is to inspire further thoughts about age, a subject that fascinated Svevo throughout his life (he wrote a novel entitled *Senilità* when he was 37; its protagonist is 35).

For most of his career, Svevo was ignored, his first novels were not reviewed and went virtually unsold. Towards the end of his life, he was *discovered by James Joyce – his* English teacher – and by some of Joyce's Paris friends, notably Valéry Larbaud and Benjamin Crémieux; then by the young Italian poet Eugenio Montale.

But even after this discovery, it was his novels and short stories that attracted critical attention. His theatre was considered an aberration, a by-product. All but one of the plays were published posthumously; and only one was performed during his lifetime. Their rediscovery, which is still in progress, dates from the 1970's. The success of *La regenerazione* will surely further the re-examination of this singular body of work.

At the Piccolo, the success is due largely to an excellent cast, led by the splendid Tino Carraro, who plays the mercurial, many-faced Giovanni. But Bianca Toccafondi, as his wife, is charmingly dotty and touching. The producer, Enrico D'Amato, follows the text faithfully but with flair and imagination, creating just the right touch of the grotesque, on the borderline between joke and nightmare.

The Piccolo is, as always, doing well at the box-office; but the hottest ticket in Milan was for a one-man show entitled *Le balene restino sedute (Let the Whales Remain Seated)*, devised by the Bolognese comedian Alessandro Bergonzoni.

This hour-long monologue is impossible to summarise or even to describe. Bergonzoni, an amiable, portly young man, comes on stage, *stands at a kind of cubist lectern and* talks, sometimes pretending to read stories from a book, more often abandoning that pretence and delivering, with incredible fluency, a series of verbal, even lexicographic jokes, destroying clichés with the gusto of a samurai, associating words and images in bizarre juxtopositions that oblige the spectator to perform a series of mental double-takes.

The audience goes wild at the end, and Bergonzoni is forced to do a few encores. Finally, as the only way to empty the hall, he indicates that he will now do a second show in the lobby. Many members of the audience actually linger at the doors, in the hope that he will keep this jocose promise. Obviously Bergonzoni's brilliant exploit is strictly for the Italian-speaker; but it is worth learning Italian just to enjoy him.

**William Weaver**

# Simply Red/D'Arby

WEMBLEY ARENA/MARQUEE

Mick Hucknall and his band Simply Red are the Flying Dutchmen of pop. While most other mega stars are content to count their millions Hucknall stays on the road, relentlessly touring the country and the world. He is at Wembley this week, churning out his albums.

He does not come across as a particularly nice man but he certainly has a marvellous voice. He has perfected white soul and is now so confident about his vocal powers that on songs like "Heaven" he attempts gymnastics that would challenge a trained opera singer. This encore, and "Holding back the years," performed solo with an acoustic guitar, were the highlights of a hundred minute set.

Hucknall still pushes the politics, urging his passive, undemonstrative, audience to kick a Tory on their way out which, by the look of the crowd, would have involved some acrobatic self abuse. Songs like "Money's too tight" hardly need an economic gloss, and at least Hucknall is now in a position to help his deprived north west if he wishes.

But as he himself says, "Let's cut the talking and get on with the music." He has surrounded himself with a sound team of session musicians which sometimes gets so good that he has to rein them back, but, as for production values, five illuminated boxes spelling out "Simply" is a bit too minimalist for the Arena. A musically excellent, but a theatrically dull evening.

★

From white soul to black. The record companies have hit on the irritating habit of putting a star who might perhaps have peaked into a tiny club, with the idea that they will regain confidence and re-discover their roots playing before a tightly packed cram of fans. It worked with Deborah Harry, who was recently re-launched at the Borderline, just off Charing Cross Road, and CBS has tried the trick with Terence Trent D'Arby who appeared round the corner in the Marquee on Monday night.

TTD's second album has proved a bummer, stopping in its tracks a career which, through ego power alone, threatened to overwhelm the galaxy. So a nice easy date was fixed and the world invited. They all came, which meant that the working critic had the choice of dying slowly from lack of air in the downstairs snake pit, or from boredom from lack of atmosphere in a glass encased gallery.

The *tiny stage, crammed* with musicians and hardware, inhibited a man obviously made for dancing. Only slowly did TTD overcome his nervousness and unbutton his waistcoat. He powered through popular favourites from the first album, but even the hypnotic "Sign your name" and the hip "Sweat – keep your body wet" failed to excite the crowd, or remove the feeling that his mind was elsewhere.

When he gave himself totally *over to style for the encores*, with a guitar which flashed lights, a Jimi Hendrix hat over his braids, and a Rolling Stones classic, "Jumping Jack Flash," the crowd finally began to party. Trent D'Arby has a fine voice but is much too given to black parody to convince that he is the future that works.

**Antony Thorncroft**





## ARTS GUIDE

January 5-11

EXHIBITIONS

**London**

**The Royal Academy.** Inigo Jones, Architect – a full study and exquisite show of the intimate drawings and designs of the greatest of British architects, only excepting Sir Christopher Wren. Daily until February 25, except bank holidays.
**The Barbican.** A Golden Age – Art and Society in Hungary 1896-1914: in the light of the current ferment in Eastern Europe, with Hungary very much in the van, it is salutary to be reminded just how active a participant she was in the European cultural commonwealth. Daily until January 14.

**Paris**

**Musée d'Art Moderne de la Ville de Paris.** Kupka (1871-1957) or The Invention of Abstraction. The subtitle of the vast retrospective sums up the progress of the Czech-born artist from Vienna-inspired symbolism to non-figurative canvases where glorious colours acquire a life *of their own*. 11 Avenue President Wilson, closed Mon, ends Feb 25 (47236127).
**The Louvre.** Arabesques et Jardins de Paradis. The beauty and richness of nature is a leitmotiv which runs through Islamic art from Spain to India, from the 8th to the 18th century. Closed Tue, ends Jan 15 (40205317).

**Brussels**

**Musées Royaux des Beaux-Arts.** Seventeenth century flower paintings; a selection from the museum's collection of Flemish and Dutch masters. Closed Monday; ends Feb.

**Rome**

**Galleria Nazionale Dell'arte Moderna.** Bertel Thorvaldsen (1770-1844). Sculptures, reliefs, portrait busts and drawings by the prolific and talented Danish artist who spent nearly 40 years of his working life in Rome. Neoclassic in style, his works are heavily romantic, but with a purity and simplicity of line which holds them just short of sentimentality. Ends Jan 28.

**Milan**

**Palazzo Reale.** Fernand Leger retrospective: includes over 150 works – paintings, watercolours as well as book illustrations. Ends Feb 18.

**Madrid**

**Centro de Arte Reina Sofia.** Antonio Saura. Seventy works by the Spanish artist painted between 1956 and 1985. The exhibition focuses on four main themes: Ladies, Crucifixions, Goya's dogsand Multitudes. Ends March 19.
**Palacio de Velazquez.** Art in Latin America. The exhibition analyses the sources and development of art in Central and South America, from the wars of independence through to the present day. Ends March 4.

**Frankfurt**

**Schirn Kunsthalle**, Am Römerberg 6. The Surrealists. Around 500 paintings, drawings, photos and objects are on display with works by Masson, Tanguy, Man Ray, Tanning and Ernst. Until Feb 18.

**Hanover**

**Kestner-Gesellschaft**, Warmbüchenstrasse 16. A retrospective of the Spanish painter Joan Miro (1893-1983), with around 120 works on loan from Spain. Ends Feb 19.

**Cologne**

**Museum Ludwig**, Bischofsgartenstrasse 1. The most comprehensive retrospective on Andy Warhol, who died in 1987, with *around 160 pieces from New* York. They can be seen only in Cologne until Feb 11. The retrospective includes works from the 1940s and 1950s as well as his famous portraits of Elvis Presley, Marilyn Monroe, Warren Beatty, and paintings based on advertisements.

**Munich**

**Städtische Galerie im Lehmbachhaus.** The most complete retrospective to date of the expressionist painter Karl Schmidt-Rottluff with almost 370 works from 70 private and public collections.

**Vienna**

**Museum for Applied Arts** is hosting a large exhibition devoted to the works of Carlo Scarpa, the Italian artist and architect. The theme is focusing on "The Other City". Until Jan 15.

**New York**

**National Academy of Design.** More than 160 objects from the Fitzwilliam Museum in Cambridge are making their way round America, giving a sampling of objects and paintings, among them works by Titian, Peter Paul Rubens and Renoir, under the theme of the increase of learning and other great objects. Ends Jan 28.
**Museum of Modern Art.** Covering only eight years, from 1907 to 1914, Picasso and Braque: Pioneering Cubism consists of more than 350 works of the two artists during their fruitful collaboration before Braque left for war. Ends Jan 16.

**Washington**

**National Gallery.** Highlighting this decade's renewed interest in printmaking in America, the 100 prints comprise a special exhibit borrowed from the collection of Joshua P. Smith, among them works from major contemporary artists including Jasper Johns, Richard Diebenkorn and Alex Katz. Ends April 8.
**National Gallery.** Almost three dozen paintings of the early 20th century German movements, Bauhaus, Neue Sachlichkeit and Blaue Reiter, lent by the Thyssen-Bornemisza collection, make a telling commentary on a part of the world again at the centre of attention internationally. Ends Jan 14.

**Tokyo**

**Bunkamura**, The Museum. Major works from the Detroit Art Museum. El Greco, Goya, Rubens, Manet, Degas, Cezanne, Matisse, Picasso etc., more than 100 paintings from one of the largest public collections in the US. Closed Mondays.

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# Ulster might say yes

EVERY NEW Secretary of State for Northern Ireland has to take an initiative within his first six months or so of coming to office. Otherwise, it would look as if British policy consisted simply of accepting the stalemate.

Mr Peter Brooke, who became Secretary of State last summer, is no exception, and would not claim to be so. There is no particular reason to believe that his new initiative, announced on Tuesday, is bound to succeed, but no reason either to think that it is condemned to fail.

The stalemate can be defined as the refusal of the political groupings in Northern Ireland – Unionists and Nationalists – to talk to each other. The Unionists also distrust the British Government and have an aversion to the Anglo-Irish Agreement of 1985, which provides for Northern Ireland affairs to be discussed by London and Dublin. Since that agreement was signed, politics in Northern Ireland has been at a stand-still. "Ulster says no" was the initial slogan, and it has remained distressingly like that in practice.

Mr Brooke has publicly raised the question of whether the people of Northern Ireland want to go on in that way indefinitely. He has called for the political parties to negotiate with each other – with, or without, the participation of the British Government, which would be a presence in the background, rather than a prime mover.

### Political reconciliation

He has not done that out of the blue. In six months of office, Mr Brooke has talked to all the parties concerned, including the Government of the Irish Republic. The results of those talks fall into two parts. One is that the present situation, though it can be maintained, is unsatisfactory. The other is that it is worth having another go at political reconciliation in the North.

Whatever some Ulster Unionists may say, there is no departure from the Anglo-Irish Agreement here. Article IV of the Agreement says specifically: "It is the declared policy of the United Kingdom Government that responsibility in respect of certain matters within the powers of the Secretary of State for Northern Ireland should be devolved within Northern Ireland on a basis which would secure widespread acceptance throughout the community. The Irish Government support that policy."

Mr Brooke has now set out that article in capital letters. If the people of Northern Ireland can reach agreement among themselves, they can have devolved, democratic, representative government and neither London nor Dublin will seek to stop it. On the contrary, London in particular will do its utmost to help.

### Tablets of stone

Moreover, as Mr Brooke has pointed out, the Anglo-Irish Agreement was not written on tablets of stone to be unchanged for all time. The review of the workings of the Agreement by the British and Irish governments last year stated in Paragraph 29 that both London and Dublin are prepared to change it, provided that its basic objectives are upheld. The primary objective is reconciliation between the people of Northern Ireland.

The onus is thus now firmly on the parties in Ulster. Can they respond to an invitation to sort out their own affairs, or are they so steeped in inertia that stalemate has become a way of life? Some of the initial reactions have been encouraging. Mr Peter Robinson of the Democratic Unionists has come out in favour of talks. It is unlikely that he would have done so if his party leader, Mr Ian Paisley, who is absent abroad, were wholly against. Mr Alan Dukes, the leader of the Fine Gael opposition party in the Republic, is also in favour, and it would be hopeful if Mr Charles Haughey, the Irish Prime Minister, could signify support rather than scepticism. For the rest, it is up to the people of Ulster.

Mr Brooke is making no great claim that the time is ripe. He is doing the best that can be done under the circumstances. But there does come a time – as with the settlement on Rhodesia-Zimbabwe – when the parties to a dispute recognise that it is pointless to go on. That is what Mr Brooke is hoping for, if not banking on: he is right to try.

# Euthanasia for Comecon

COMECON IS dying, its death being the unavoidable result of the liberation of the majority of its members from obeisance to central planning and from the political monopoly of their communist parties. But there is room for disagreement over how best Comecon should meet a doom that cannot, in any case, be immediate. After the meeting in Sofia, it is clear that the members will now struggle to exploit Comecon's failing powers, in order to obtain the softest possible landing in the world economy.

The outcome of the meeting confirms that the European members of Comecon – Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania and the Soviet Union – are locked into competition for the investment, assistance, technology, expertise and markets that can only be provided by the advanced industrial countries. The smaller economies of Czechoslovakia, East Germany (which is in a special position because of the embrace of West Germany) and Hungary are the best placed to survive and ultimately prosper in this new world.

As it is painfully aware, Poland faces hyperinflation and possible instability. None the less, it too possesses advantages: the prestige derived from its vanguard position in political reform, the potentially important lobbying efforts of the Polish diaspora, the distance it has already travelled along the road of marketisation and, not least, a government that enjoys the support of its people, even as its measures make them poorer.

### Cutting edge

These countries, with the partial exception of East Germany, view themselves as the cutting edge now being applied to Comecon's slender thread of life. But they cannot simply walk out. They may have hated being tied together, but they still need the bonds: in particular, they need cheap Soviet energy and, in the short term, the undemanding Comecon markets for their substandard goods.

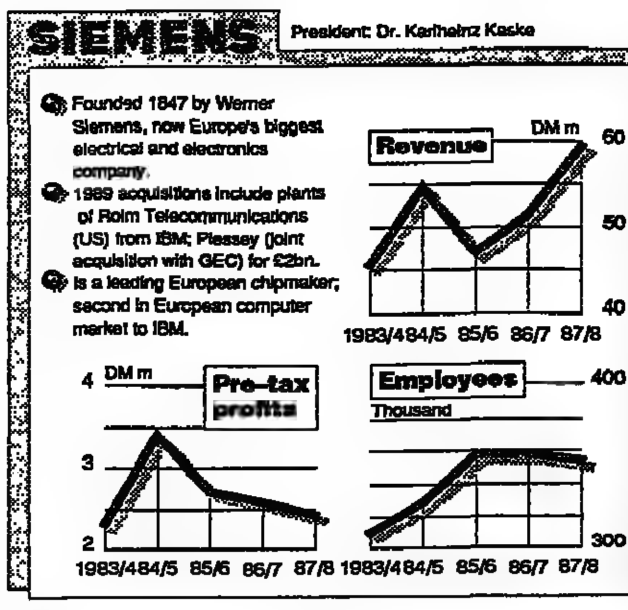
These needs have given rise to what is now the fundamental argument within their ranks. All have agreed to the Soviet proposal that Comecon should move to hard currency pricing from the beginning of 1991. But the other countries, led by the Czechoslovaks, are pointing out that this proposal would benefit an energy exporter and penalise exporters of low technology manufactures. Since this "division of labour" was forced upon them by the Soviets, the latter should subsidise the painful transition to global competitiveness of the other members. This vexed issue will be at the heart of the deliberations of the special commission, set up yesterday, to review the future of Comecon.

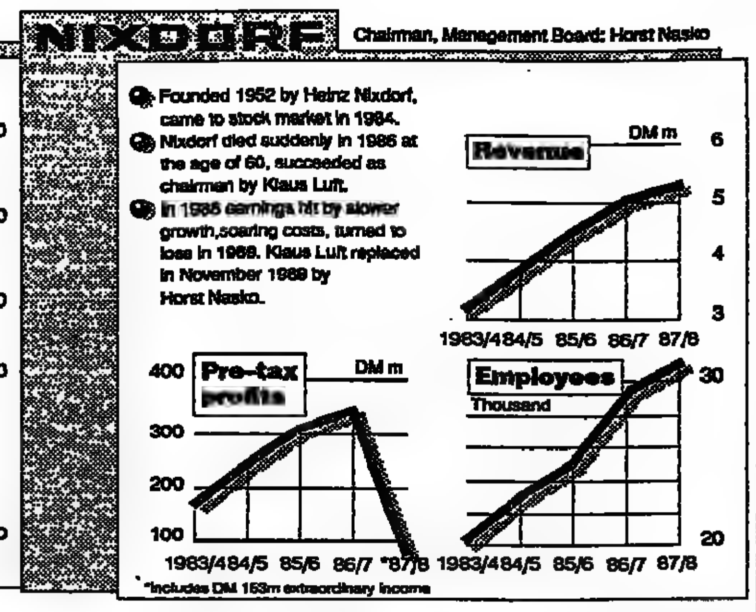
### Passive players

Meanwhile, the Romanians and Bulgarians will be fairly passive players for the present: the first because they are still counting the costs of Ceausescu's devastation and the second because they are only beginning their own economic and political reforms. Developing country members – Cuba, Mongolia and Vietnam – can do little but hope for the best, which will not be very good.

When the survivors will be doing so much arguing over the dying body, an epitaph may be premature. But this at least can be said. Comecon was an instrument of the Stalinist model of development. At its best, it assisted the industrialisation of poor peasant countries like Bulgaria, even if that industrialisation has left a technically-backward infrastructure within a polluted environment. At its worst, it was an economic absurdity, ruining industrial and commercial cultures – Czechoslovakia being the extreme case, hence the Czechoslovaks' present vehemence – and enforcing a technical backwardness. That backwardness only became more pronounced as the advanced industrial countries adapted to computers and microelectronics, while the Communist countries did not.

Comecon was a block, not just to each country's progress, but to the creation of what Mr Gorbachev has called the common European home – the outline of which can now be seen a bit more clearly. The Sofia Congress has shown it the door: however long it takes to pass through it, it will not occupy this space again.




**Alan Cane and Andrew Fisher analyse the Siemens/Nixdorf deal**

# Finding a friend

The acquisition of the ailing Nixdorf Computer by Siemens will change the computing landscape of Europe.

One West German firm is taking control of another, much smaller one. But the consequences go much wider. The Siemens subsidiary that results, Siemens-Nixdorf Information Systems, will be second only to IBM in Europe's computer markets. It will offer hardware from personal computers to supercomputers. It will operate in every country of the European Community, as well as Switzerland and Scandivia. With more than 19,000 programmers and systems analysts, it will be Europe's largest software house.

Assuming that the boards of both companies and the West German cartel office allow the deal to go ahead – which given the scale of Nixdorf's problems is almost a foregone conclusion – the takeover can be interpreted in two ways.

Is it further evidence that Europe's computer industry is in the throes of a bout of rationalisation that will leave only a handful of major players by the turn of the century?

Or is this a special case, a unique solution for a company sustaining losses on a scale unacceptable in any industry?

Europe's computer manufacturers have had long-standing problems in competing US companies such as International Business Machines, Unisys and Digital Equipment Corporation. European companies such as Nixdorf, ICL, Bull and Olivetti are small, closely tied to their home markets, short on capital and technological innovation. As a result, European manufacturers will find it increasingly difficult to exploit the changes reshaping the global computer business – including the move to "open" or non-proprietary systems based on standard microprocessor chips.

Even against this background, Nixdorf Computer's rise and rapid fall is one of the most absorbing sagas of West Germany's post-war business history. Its success in competing with such giants of the electronics industry as IBM and Siemens made it a byword for entrepreneurship in a country where few new companies have recently challenged the industrial establishment.

Heinz Nixdorf, the company's founder, died of a heart attack at the age of 60 in 1986. The year after, Nixdorf made net profits of DM 264m (£95m), a 19 per cent advance. Mr Klaus Luft, who took over as chief executive from Mr Nixdorf, was talking about doubling turnover every five years. In 1988, difficulties started to show and Nixdorf managed a tiny profit of DM 26m. Last year, the rot really set in: in the first nine months, pre-tax losses totalled DM 460m, with estimates of the full year's loss ranging between DM 600m and DM 1bn.

Why did the company's fortunes change so rapidly? The question has great significance for Europe's remaining computer manufacturers, since Nixdorf seemed to epitomise the well-managed computer company of the 1980s. It made high-quality small computers, staying closely in touch with its customers and developing bespoke software to solve their problems.

The problem seems to have been a combination of overconfidence and lack of foresight:

- Nixdorf missed the boat on the move to standard systems and had to spend heavily to catch up.
- It stayed close to its customers, but only in those areas like financial systems and retail where it was already well established and where growth was slowing.
- It spent heavily but unsuccessfully to take on the competition in faster growing sectors where intense price competition was putting great pressure on margins.
- Most fatally, it pursued a policy of rapid expansion, expecting levels of market growth which never materialised.

When Nixdorf's management realised the extent of its danger, it tried to cope with the new conditions by forging technological links with specialist, mainly US, companies, cutting back on its hardware production, and building up its own software expertise.

It also sought to bring its tottering finances under control. But critics say Mr Luft was too half-hearted in cutting costs. In 1987, for example, when the problems were already becoming visible, Nixdorf hired nearly 4,000 new people.

Mr Luft, who is 48, also proved adept at minimising the scale of Nixdorf's problems. Even at his last press conference in Berlin in November, he insisted that Nixdorf would break even in 1990. Former managers say that by painting a rosier picture of Nixdorf's future than was really justified, Mr Luft made employees feel the situation was less urgent than it really was.

Mr Luft steadfastly refused to accept the possibility of a merger or acquisition, possibly out of loyalty to Heinz Nixdorf. Only after he left in November was it possible for his successor, Mr Horst Nasko, to admit the company was looking for a partner to help it through its troubles.

Now that Siemens has decided to buy an initial 51 per cent of Nixdorf's voting shares and combine the two companies' computer activities into a separately managed subsidiary, Nixdorf at least has an assured future. But at least 5,000 jobs out of an already reduced labour force of nearly 30,000 could well have to go, according to observers in the industry. In the view of Mr Hans-Peter Wodnick, a Frankfurt-based analyst with James Capel, the UK stockbrokers: "Nixdorf has found a rich friend. It had no other choice than to link up with somebody. If the loss really did approach DM 1bn this year, then it would be in even deeper trouble and probably close to bankruptcy."

The omens for the new company seem bright. With revenues of DM 12bn, it has the size to hold its own with the European subsidiaries of the large US computer companies with the sole exception of IBM.

The product lines of its parent companies are complementary. Siemens is strong in top end systems. It sells supercomputers manufactured by Fujitsu of Japan and mainframes of its own design and manufacture. It is, however, weak in personal computers and small systems where Nixdorf now has ranges of competent machines.

But the new company's chief strength lies in its wealth of software specialists. The trend throughout the industry is away from commodity hardware on which margins are razor-slim and towards software and services where profits can be substantial.

"There is a serious and damaging dearth of good software specialists; some people believe that, for Siemens, it would have been worth salvaging Nixdorf simply to gain its 4,000-strong programming staff. They are strong in areas such as financial systems and cash-less shopping (electronic funds transfer at the point of sale) in which Siemens is interested but not a market leader.

The question remains whether the formation of Siemens-Nixdorf Information Systems will prove the starting point for another round of rationalisation among Europe's hardware manufacturers.

Earlier predictions of the emergence of a handful of giant companies have given way to beliefs that marketing agreements and joint ventures between Europe's battered band of survivors – companies like ICL, Olivetti and Bull – are more likely.

All have corporate structures which make anything other than a friendly takeover impossible.

Nixdorf, for example, had two classes of shares. Voting shares were controlled by the Nixdorf family and Nixdorf-related foundations. With the company's back to the wall, however, both the family and the foundations had to agree to Siemens' offer.

Europe's remaining manufacturers must be wondering whether they can avoid a similar fate. With the price for making business errors so high, they may prefer to jump into each others' arms rather than wait to be pushed.

## BOOK REVIEW

# Too long in the eye of the storm

**THE PRIDE OF LUCIFER**
**By Dominic Hobson**
*Hamish Hamilton, £16.99*

"WE MUST not let the daylight in on the magic," Walter Bagehot wrote of the mystique of the British monarchy. The same, as this book reminds us, might be said of the City of London's merchant banks. Not because daylight would expose all their secrets; rather the opposite, it might show how embarrassingly little they have to hide.

Merchant banking is largely about show; it is an act of levitation which only works so long as merchant bankers themselves have the talent and nerve to keep it all up in the air. And it must be said that most of them are very good at it. Not least Morgan Grenfell, the unhappy subject of this "unauthorised biography," which found itself embroiled in virtually every scandal that struck the City in the 1980s: notably Guinness, insider trading and predatory takeovers.

Despite suffering shattering blows to its name and losing most of its top executives, Morgan is not merely still in business, but was recently thought by Deutsche Bank to be worth paying close on £1bn to buy.

This book will disappoint those who were led by the pre-publicity to expect startling revelations about Morgan. There is virtually nothing of a factual nature in it which has not appeared somewhere else before, which is a pity since the author worked there for five years at the height of all the goings-on. But though Dominic Hobson occupied, by his own admission, only a "lowly capacity" in the bank, he turns out to be a young man with a sharp eye and a fluent pen, and there is much between these covers to stimulate and entertain City watchers and City workers. Not least his observations on the Bagehot theory of mystique.

The Morgan he portrays is a house positively roaring with talent and ambition, where notoriously aggressive deal-makers were not afraid to challenge the Stock Exchange, the Takeover Panel, the Monopolies and Mergers Commission and even the Bank of England to get their way.

"We must not believe that rules are written in tablets of stone," Morgan's former chief executive Christopher Reeves once said. But Morgan was also a house which bred contempt for notions of "management" – a common enough failing of merchant banks but particularly pronounced at Morgan.

By Hobson's account, Great Winchester Street was a chaotic place, riven by strife among its multiplying factions. The senior executives had no clear idea where they were supposed to be going, other than in whatever direction drew in the quickest profits. This weakness proved nearly fatal at the Big Bang in 1986 where Morgan balked at the challenge and ended up with a half-baked strategy which had to be ditched two years later at a cost of over £50m. And despite its external machismo, management was cowardly. They did not look each other in the eye, people were excluded from decisions when it was suspected they would disagree; "the car telephone replaced the board meeting."

One of the partners' rooms even became known as the departure lounge because of the large number of senior figures who were eased out, or left of their own accord. And to think that such places operate with a banking licence! It makes terrifying reading – if you can believe it all, and Hobson will inevitably be accused of grinding a mighty axe.

Yet there is little doubt that Morgan's mystique in the 1980s was an embellishment for many of the baser impulses that drive the City. How else can one explain the fact that Morgan seemed to exist permanently in the eye of the storm, breeding in its ranks actual or alleged criminals, using tactics that offended even its most hard-hitting peers? What drives people to behave like that? Hobson identifies several types. There are the "public school bully boys" who engage in a kind of gentlemanly thuggery, making up for their lack of university education with their gut feel for finance. There are the aspirers (minor public school, undistinguished parentage) who see in merchant banking a way of acquiring the trappings of higher class, only to be frustrated when they find that the gates to the inner sanctum remain closed. Then there are the total outsiders who manipulate to their advantage the levers that merchant banking puts in their hands.

Even if the picture Hobson paints is too lurid, his book will stir the unease that exists in the City, but more particularly outside it, about merchant banking ethics. However, it would be too easy to conclude that the bully boys should be whipped or strapped down. Merchant banking does serve a purpose, and to operate successfully it needs a free spirit. Morgan showed what can happen when the cult of profit and personality gets out of control, and the blame for that must lie with the people who justly lost their jobs.

But for Hobson, the fact that Morgan also failed to develop a wider strategy exposed deeper flaws. He concludes: "It was misleading to suggest that the Guinness scandal was purely the work of individuals exceeding their authority or of management controls breaking down in one area of the bank. Rather, it was the failure of the entire corporate culture of the Reeves regime to adapt to the fundamental changes in the nature and scale of the business."

**David Lascelles**

## No strings attached

■ Once upon a time, long ago in Washington, there was a Great Machine. It was a big, green circa 1940s upright telex. Its keys were stiff. It was unacquainted with the electronic age. It had convenient flat surfaces for an ash tray and a wine glass. It was, to the hack who loved it, an incomparable instrument. When the muse was right, the cigar moist and the California chablis sufficiently cold, it sang like an angel and, almost with a mind of its own, unsplit infinitives, found the right adjective and made poetry out of the US unemployment figures. Eventually They came in white coats and took it away. No computer has replaced it in the affections.

It is a far cry from a journalist practising at the humbler end of the artistic scale to a musician to whom the right instrument may mean everything. Still, Alexander Baillie, known as Sandy, is today a happy man for he has what your scribe lost. When he plays the Wigmore Hall next Tuesday it will be on a 290-year-old Guarnerius cello.

But Baillie also knows how lucky he is – and this makes him angry. For the cello is not his. It was sold, by the London dealers J & A Beare for a cool £200,000 to an unidentified American millionaire, who, in turn has lent it to his friend Baillie. Charles Beare recalls that the instrument has been bought from the eponymous family firm in the 1950s by an English doctor, who had played it privately until his recent death.

Baillie and Beare lament the difficulty of keeping instruments of this quality inside Britain. Baillie talks of the "instrument drain" to the US, Japan and elsewhere which, he says, attracts nothing like the publicity associated with the sale of works of art. Beare points out that they are "beyond the means of our impoverished musicians," who might, unless at the peak of the profession as concert soloists with recording contracts, do well to gross £25,000 a year.

Both are particularly critical of British banks, which, they say, will not lend for purchase of a musical instrument even when that instrument, fully insured, is offered as collateral. Some, like Baillie and Nigel Kennedy, who has a private British benefactor, get lucky. Most envy the fortune of those from other countries (Yo-Yo Ma, for example, is now playing on Jacqueline Du Pré's cello). They need more than the sympathy of this column.

# OBSERVER


## Brain drain

■ Mostly, though, drains refer to the exodus of human beings from this country. Thus, it is difficult not to applaud the sentiment expressed yesterday by Professor Richard Layard in announcing the establishment of a new Centre for Economic Performance at the LSE. It will, said its new director, "provide an ideal research environment for the brilliant young minds that might otherwise go to America."

Recent LSE experience might, however, suggest that the horses have already bolted. The International Relations Department is 70 years old, probably as large as the aggregate of IR departments in all other British universities and has an excellent reputation. It is a sad commentary on the state of higher education that this year, for the first time, no British research students have enrolled in its MPhil/PHD courses.

## Brain gain

■ But the drain is a two way street and though there has been precious little to smile about in the British motor industry over the past 25 years, one who brought a welcome dash of colour and wit to the proceedings, back in the late 1960s and 1970s, was an import – an unusual American with the splendid name of Filmer Paradise.

Paradise, who has just died in Lausanne at the age of 70, had an irreverent sense of humour which remarkably survived long stints in senior marketing jobs with Ford, BMC, British Leyland and Peugeot-Talbot. His affection for Europe, perhaps stemming from his postwar work with the Marshall Plan, was nicely celebrated in the award of Italy's Order of Merit. But colleagues will remember his jokes, his cigars and the warmth of his personality. More US imports like Filmer Paradise would do a lot for the jollity of British boardrooms, and for British exports.

## Royal flush

■ Also on the move is Europe's Ancien Régime. The latest is Prince Louis Ferdinand of Prussia, the head of the German royal family. The 82 year old Hohenzollern Prince, who claims that if Germany had remained a monarchy there would have been no Hitler and no Holocaust, has reminded the magazine Bunte that he has never formally renounced his claim to the throne.

The magazine interviewed various Germans, rich and not so rich, about the property, companies, farms and castles that they still lay claim to in East Germany. Louis Ferdinand himself, grandson of the last Kaiser, wants back his castle in Potsdam. Maria Emanuel Markgraf zu Meissen, who would today be King of Saxony, also wants a castle and a hotel back. And Prince Michael of Saxon-Weimar wants back a mere 14 castles.

## Frogs legs

■ Back in 1965 in California, one of the unsuccessful entrants in the Calaveras frog jumping contest immortalised by Mark Twain was called Felix. Its distinguished pedigree – out of an Oxford don via a local creek – was of no avail, possibly because it had been trained on a diet of cherries. In any case, the big story of that year was not the failure of the only British competitor but the disqualification of some midget frogs, capable of leaping tall buildings in a single bound, on the grounds that they were hyped-up Swedish toads.

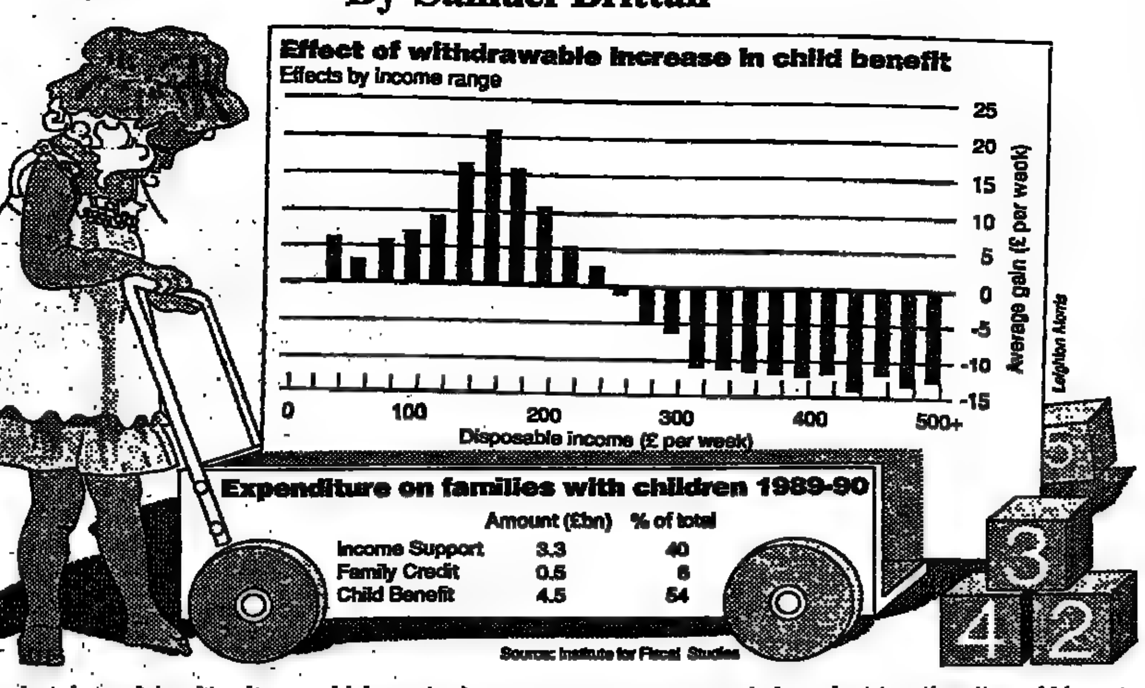
This year, the American barriers are up again, against Goliath frogs imported from Africa. Their trainer, from Seattle, has warned that he will "apply for a green card for these guys if I have to, this is what America is all about." The current record – 21ft 5¾ins – was set by Rosie the Ribiter four years ago. The man from Seattle says his Goliaths can do this in a single bound (they get three jumps). The ring is only 35ft. There is no newt solution.

**Jurek Martin**

*ECONOMIC VIEWPOINT*

# Family package for a budget

**By Samuel Brittan**




**Expenditure on families with children 1989-90**

| | Amount (£bn) | % of total |
|---|---|---|
| Income Support | 3.3 | 40 |
| Family Credit | 0.5 | 6 |
| Child Benefit | 4.5 | 54 |

Source: Institute for Fiscal Studies

Fighting inflation and demonstrating fiscal virtue are not the only tasks of the British Treasury. The Chancellor and his colleagues might take time off at Chevening this weekend to ponder the fact that the least well off sections of the population have shared very little in the rising prosperity of the last decade and that families with children loom much more important in the poverty picture than before.

Now is the time to start designing a package for 1991-92 onwards, when resumed economic growth will be paying its usual fiscal dividend.

Unfortunately, those who want to face up to this challenge are sharply divided ideologically. The poverty lobby and the mass of *bien pensant* opinion in the centre and left want, among other things, to raise Child Benefit. This is the universal benefit paid across the counter to the "caring parent" (normally the mother).

The Government pins its hopes on what it calls targeted benefits and its opponents means tested ones. Chief among them are Income Support and Family Credit. Income Support (which used to be called Supplementary Benefit) is designed to help families without a breadwinner in full-time employment. Family Credit is designed to top up the incomes of families on low earnings. It is withdrawn at a rate of 70 per cent.

The battle between the two kinds of benefit has implications for the integration of tax and social security in the longer term. For Child Benefit is an embryonic "basic income" payment, paid out to families with children. Family Credit is an embryonic negative income tax. But, as is made clear in an excellent recent study by the Institute for Fiscal Studies*, neither, in its present form, is particularly cost-effective.

The IFS analyses the consequences of alternative measures on the assumption that the Government has an additional £1bn available to help families in poverty. The issue cannot be left to the DHSS, if only because the most effective solution involves action on tax as well as benefits.

The case for a straightforward increase in Child Benefit is much weaker than commonly supposed. Because of its universality, it is an expensive benefit, involving an annual cost of £4½bn to provide the modest sum of £7.25 per child, a level at which it has been frozen since 1987. Family Credit, with a budget of around £½bn, provides on the other hand a weekly supplement averaging £25 to 320,000 recipients.

The IFS simulation is at first sight very favorable to the the Government's preferred Family Credit. If the whole of the hypothetical £1bn were allocated to Family Credit, it would for instance be possible to double it from £36.35 to nearly £74 per adult. This shows very big redistributive effects, with the largest gain – averaging around £8 per week – for families in the £100 to £160 per week income range.

Unfortunately there are snags. One is the low take-up of selective benefits. One third of the available Family Credit budget is unclaimed and one half of potential recipients do not apply. It takes an average of 23 working days to process a claim. Reassessment takes six months. Thus the Benefit is not a secure lifeline for the part-time, casual or seasonal worker. Moreover, the whole process of applying for a selective benefit involves an intense scrutiny of personal means – and the disqualification of people with more than minimal capital sums – all very different from claiming Child Benefit across a Post Office counter.

In view of these problems, the reintroduction of child tax allowances has an appeal to some supposedly non-ideological Tories and is one idea that might actually be mentioned at Chevening. Unfortunately, it would be a step backwards. Child tax allowances were replaced by Child Benefit precisely because they were worth nothing to those who paid no tax and little to those who paid low tax. The IFS simulation of the effects of introducing a £440 per annum child tax allowance shows a roughly uniform gain for families with £200 or more per week, but little or nothing for the least well off. (Moreover the IFS makes the politically unlikely assumption that the child tax allowances will not be available against the higher rates.)

The drawbacks of Family Credit and child tax allowances should not however provide an excuse for a crude untargeted increase in Child Benefit. As the IFS points out, Child Benefit would be irrelevant to low-income families if all selective benefits were claimed. The reason for this is that any increase in Child Benefit reduces the child addition both to Family Credit and to Income Support by a corresponding amount.

**The reintroduction of Child Tax Allowances, however plausible it would seem, would be a step backwards**

Even on realistic take-up assumptions the IFS simulations show that overwhelmingly the largest beneficiaries from an increase in Child and One Parent Benefit would be families in the middle and upper ranges. Those with net disposable incomes below £160 per week would gain little.

The straightforward taxing of Child Benefit would not help much. Under independent taxation, it would be natural to tax the mother. This would make possible an increase in benefit of £2.80 per week – only another £0.90 more than would be possible without making benefit taxable. The cost would include bringing an extra half a million women into tax and higher marginal rates.

Paying Child Benefit to the father and also taxing him would finance a bigger rise in Child Benefit to £4.70 per week. But it would have both the feminist and poverty lobbies up in arms (and reluctantly I might have to join them). Even then much of the gain would spill over into higher income families.

The IFS has, however, produced a scheme which combines the across-the-counter advantages of Child Benefit with the greater selectivity desired by the radical Right. This would involve a sensationally large increase in Child Benefit to £34.80 per week, which would continue to be paid to the mother. But it would count as taxable income of the father, if his earnings were adequate. It would, moreover, be withdrawn by applying a specially high marginal tax rate of 65 per cent starting at the bottom of the income tax scale until Child Benefit is exhausted.

This package has by far the largest redistributive effect. Gains are still limited at the very bottom because of offsetting reductions in Income Support and Housing Benefit. But as the chart shows, the greatest gains go to families with relatively low disposable incomes of £100 to £200 per week. On the other hand, families with disposable incomes appreciably above £300 per week (or above £400 gross) would lose up to £14 or £15 per week because of the withdrawal of Child Benefit.

I would not expect the present Government to embrace this particular pattern and inflict net losses on income groups where many of its already alienated supporters lie. But on the assumption that there is £1bn to distribute there are numerous ways of eliminating the losses shown on the right hand of the chart. The simplest method would be to tax away not all Child Benefit, but only the increase. The Government would still be able to have Child Benefit more than doubled to reach £15 or more.

A more serious disadvantage is the introduction of high marginal tax rates (amounting to 74 per cent if normal National Insurance contributions are included) towards the bottom of the income distribution. But this is what is involved in the selectivity principle, and is already implicit in Family Credit – which would no longer be needed if the IFS suggestion were followed. The withdrawable Child Benefit has however the advantage of avoiding the indignity of means-tested applications, and retaining the over-the-counter principle of Child Benefit. The higher marginal rates could, of course, be reduced to, say, 50 per cent or 60 per cent, but only at the expense of extending the band across which they would apply.

The ideal form of cash redistribution would be a Basic Income, related to family size, for everyone, which would be withdrawn at a uniform rate, corresponding to the ordinary income tax rate as income rises. When that happens, there need be no quarrel between selectivity and universality; and Basic Incomes and negative income tax will amount to the same thing. But this ideal would at present involve astronomic tax rates and it cannot therefore be realised until the utopia (or nightmare) of a computer and microchip revolution that really does multiply national productivity severalfold has arrived.

Meanwhile, compromises are necessary. One such compromise, advocated for instance, in the new Social and Liberal Democrat Green Paper, is the introduction of a small non-taxable basic payment for everyone, which would have to be heavily supplemented by conventional Social Security for the foreseeable future. The other compromise, embraced in this particular IFS proposal, is to have larger basic payments, starting with families with children, but to accept a withdrawal rate higher than the basic rate of tax.

**Alternative Tax and Benefit Policies for Families with Children, IFS Commentary No. 18, by P. Johnson, G. Stark and S. Webb, IFS, 180 Tottenham Court Road, London, W1P*

*LOMBARD*

# A paradox in pensions

**By Barry Riley**

ARE SOME pensioners going to be squeezed despite the unprecedented bonanza currently accruing to the occupational pension fund industry?

Near-record returns were enjoyed by British pension funds in 1989. It is expected that the median rate of return (income plus capital gains) will probably work out at some 31 per cent for the year, vastly in excess of actuarial assumptions.

Already many companies have declared extended contribution holidays for themselves (although not for their employees). In the early 1990s it seems likely that few companies will need to pay into their funds.

So does this brimming over of the pension fund coffers mean that pension scheme members can relax in a glow of increased security? Does it mean, in particular, that pensioners can depend on the maintenance of their standard of living?

Unfortunately, in far too many cases it does not. Paradoxically, many pensioners have become more vulnerable. Another statistic about 1989 is crucial here. The rate of inflation midway through the year climbed from 4.6 per cent in 1988 to 8.3 per cent, and there will be little, if any, decline by mid-1990.

Inflation has therefore shot past the 5 per cent level which has become accepted as the maximum rate at which companies should commit themselves to upgrading pensions in payment. Last year the Occupational Pensions Board, a quango which supervises the occupational pensions scene, strongly recommended the "indexation up to 5 per cent" formula, also dubbed limited price indexation or LPI, as an appropriate one for companies to adopt. It did so in a report to the Government ironically entitled "Protecting Pensions."

According to the consulting actuaries R. Watson & Sons, a pensioner who retired in 1969 and received only LPI increases would by mid-1989 have seen his pension dwindle to only 38 per cent of its original purchasing power.

Of course, it is perfectly open to companies to provide full protection to their pensioners against inflation, and some do so. But it is only on an *ex gratia* basis. It is true that in the past many companies have only offered 3 per cent protection, or none at all, so that 5 per cent is an improvement.

But as inflation rises, the degree of financial security enjoyed by pensioners is nevertheless falling. And this is happening at a time when pension schemes have never been financially sounder.

How has this come about? It is because of an elementary mistake by the OPB. It swallowed too readily the argument by companies that they could not contemplate an "open-ended" commitment to inflation-proofed pensions.

This argument is fair enough as far as it goes, because in certain circumstances of collapsing real profitability, companies might indeed be bankrupted by inflation-proofed pension liabilities. But where the OPB went wrong was to set the arbitrary level of 5 per cent inflation as the trigger for the unpegging of pensions preservation in real terms.

In doing so, it appeared to assume that high inflation is necessarily closely linked to the collapse of real profitability. Indeed, this is what happened in the early 1970s, when price controls and damaging taxation made it impossible for British industry to respond healthily to a rise in the rate of inflation. But developments in 1989 suggested a quite different combination of rising inflation and sturdy profitability. The sharp fall in sterling is likely to allow this pattern to persist into 1990.

Companies should indeed be offered an escape clause to permit them to cut pension payments in real terms in conditions of economic crisis. But the formula should be drawn up in terms of profitability or investment returns, not the inflation rate.

Pensioners must be prepared to share the consequences of an economic collapse along with the rest of the population. But there is no such general agony at present. Rather, the OPB has threatened pensioners with insecurity by encouraging companies to adopt an entirely inappropriate formula.

*LETTERS*

## The crucial moment of Gorbachev's radicalisation

*From Mr and Mrs Alvin Toffler.*

Sir, We read with pleasure Quentin Peel's end-of-the-year profile of President Mikhail Gorbachev ("Hero to all but his own people," December 30) and found it a valuable addition to anyone's Gorbachev file.

However, one point needs correction for historical accuracy. Gorbachev did not first utter the heresy "that universal values, not class values, were paramount" in 1987. Nor did this ideological bombshell go "almost unperceived."

On October 20 1986, during a 2 hr 45 min meeting with him, attended by us and a small group of other intellectuals, including Arthur Miller, the late James Baldwin, Peter Ustinov, the Soviet writer Chingiz Altmatov, and Federico Mayor, now director general of Unesco, Gorbachev surprised us by saying that there were "human needs above the tasks of the proletariat." The next morning news of our meeting made the lead headlines in Pravda, Izvestia, Sovietskaya Kultura and Literaturnaya Gazeta.

We reported this comment as a "highly significant ideological pronouncement" in a series of articles that ran in the Sunday Times of London, starting on January 4 1987. This means, we wrote that "there are issues that transcend class struggle . . . Gorbachev accepts, even advertises this reality."

Gorbachev may even have said the same thing before his meeting with us, but Soviet friends who helped organise the meeting tell us that this was its first public utterance.

Quentin Peel is right in regarding the statement as "the crucial moment of radicalisation" for Gorbachev and that "it is devastating to the old ideology."

Alvin Toffler,
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## Freedom to decide

*From Mr C.T. Sentance*

Sir, The FT (and the media generally) is full of reports of wise men debating the best method for the West to structure loans/grants/aid to eastern Europe.

Coincidentally Tuesday's issue included an article ("Tunisia builds on hidden industrialisation") which deftly demonstrates both the fate of such schemes – failure – and the correct way to recover from the ravages of government-sponsored initiatives, control and interference.

In short, give the citizens the freedom to decide for themselves what they want to make with the inputs they choose, and to sell at the price they judge acceptable: the market will do the rest and the economy will respond positively.

C.T. Sentance,
*9 East Street,*
*Ramsey,*
*Isle of Man*

## Repayment of student loans

*From Mr John-Paul Crutchley.*

Sir, Current informed opinion holds that the correct and equitable manner for the implementation of a student loan scheme is by the introduction of a "graduate tax" – the successful thereby repaying the cost of their education. I believe that two modifications should be made to this proposal:

- The graduate tax should be of a smaller percentage than is currently suggested, but the tax should be levied for the duration of the graduates' working life.
- Companies, which recruit graduates, often have substantial budgets to achieve their objective of obtaining the brightest and best.

They also tend to pay their graduates higher than average salaries. Such companies should also be subject to a graduate tax of a similar percentage of graduate salary paid for the duration of employment.

Both these reforms would have a substantial impact on the funding of universities and polytechnics.

The first would result not only in graduates replenishing what their education has cost the state, but the funds available for teaching and research in higher education would grow as more graduates to be taxed entered the workforce each year.

The second proposal, as well as providing further funds for higher education, would also counter-balance the present unfair situation in which employers tap the graduate market of well qualified personnel at no direct cost to themselves.

Both measures could, of course, be subject to a minimum wage barrier, so that graduates who enter lower paid jobs, such as teaching would not be further penalised.

John-Paul Crutchley,
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## Challenge of electric cars

*From Mr B.N. Parsons.*

Sir, I was pleased to see John Griffiths's article ("Batteries for the green bandwagon," January 6) about electrically propelled vehicles – one feared that the Sinclair C-5 débâcle might permanently damage their prospects.

However, vehicles relying solely on batteries are bound to be limited in range and speed. I would like to urge the cause of hybrids. These would still have the advantages of quietness, absence of emissions and automatic transmission in cities or towns. For longer distances the internal combustion auxiliary engine would cut in.

Why does no British car manufacturer take up the idea? Are we going to be beaten again by the Americans, Japanese, or French.

B.N. Parsons,
*Admont,*
*Gravel Path,*
*Berkhamsted, Hertfordshire*

## BAe and the working week

*From Mr Denis MacShane.*

Sir, Your interview with Richard Evans, new chief executive of British Aerospace (January 8) failed to touch on the company's most pressing problem – the strike by its engineering workers for a shorter working week.

As reported in the FT yesterday Airbus work in Germany and France is seriously affected by the dispute and French Airbus employees have been told they will be laid off if BAe does not resolve the issue.

From a European standpoint it seems absurd for British Aerospace to be thus threatening Airbus production at a time when a revived Boeing output is seeking new markets.

It is all the more absurd as Rolls-Royce, a key part of the industry, has negotiated a 37-hour week already and the Drift towards the 37-hour week, the norm for aerospace workers in Germany, is evident in Britain. Macho industrial relations and a refusal to negotiate except on employer terms were all the rage a year ago, but is such a style really appropriate in the 1990s?

Denis MacShane,
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## A more rational seesaw

*From Mr D.S. Redfearn.*

Sir, One concessive clause in your editorial ("A fiscal own goal," January 4) affords some hope of a nascent public awareness of the true source of a country's revenue. It is this: "As a consequence, both manufacturing and service companies in depressed parts of the capital will find themselves paying higher property taxes, even though the relative value of their sites has declined."

The clear implication is that property taxes should follow site values up and down, and not go up when they go down, like opposite ends of a seesaw. Quite right too.

Sooner or later the patiently suffering British people will begin to wonder why it is that improvers of property are punished by rises in rates, while those who let it go to ruin, or even hasten the process, are rewarded by cuts, or even, in extreme cases, by being excused rates altogether.

A more rational and more equitable procedure would be to tax according to opportunity offered, not according to what use is made of it; in other words, to base the property tax on the value of land alone.

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FINANCIAL TIMES
Thursday January 11 1990



# Comecon divided on move to free market

By Christopher Bobinski and John Lloyd in Sofia

COMECON, the economic grouping for Communist countries, yesterday decided to move from rigid central planning towards a market-based trade system, but members remained divided on how far and how fast to go.

The move, which ended a 41-year effort to integrate the Comecon economies, opened a transitionary period to allow the member countries to find their own economic level on the world market.

Mr Miklos Nemeth, the Hungarian Prime Minister, said in the closing speech of the Congress: "We believe that the monolithic unity of the Council will disappear and that the system of five-year plans will also disappear. Priority will be given to bilateral contacts."

A brief communiqué issued yesterday at the conclusion of the two-day 45th session, put an end to the organisation's ambition to counter the capitalist world's economy with a centrally regulated division of labour - an effort which many member states said had degraded their economic life and lowered their technical and commercial cultures.

The communiqué, hammered out after an at times tetchy debate, said that the session "underlined the absolute necessity of a decisive renewal of the whole system of mutual co-operation, of the mechanisms of multilateral co-operation within the Comecon framework, the fundamental renewal of the activities of the council, a verification of the functions and aims and the preparation of a new statute which would reflect the current and future needs of co-operation for the Comecon countries."

In the protocol agreed but not published yesterday, the 10-member group agreed to a Soviet proposal to begin trading in hard currencies from early next year.

However, the more market-oriented countries, led by Czechoslovakia, insisted on including a clause allowing for compensation for the cost of making the switch.

This reflects fears by Czechoslovakia, Poland and Hungary, in particular, that the Soviet Union will benefit from selling its oil at world prices, while they will suffer because of poor market prices for their low quality capital and consumer goods. These countries believe that their relative backwardness has been forced upon them over the past four decades by Soviet domination, and now want compensation.

The most consistently outspoken delegates, Mr Vladimir Dlouhy, the Czechoslovak planning chief and Mr Vaclav Klaus, the Finance Minister, insisted that Comecon was now only of use for helping member states to become independent market economies.

The Congress also agreed to set up a commission to review Comecon's future and statutes. Drafts from member states will be required for next month, and a full meeting of the commission, mainly composed of each country's standing representative to Comecon, will be held in Prague.

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# E Germany set to lift ban on private output

By Leslie Colitt in East Berlin

THE East German Government is expected to propose the lifting of a constitutional ban on private manufacturing and western investments at a meeting of the Volkskammer which begins today.

The move would be a significant step towards creating a market-oriented economy.

Mr Gunter Halm, the Minister of Light Industry, also indicated yesterday that the Government might disclose, possibly by next week, cuts in the crippling subsidies paid to maintain artificially low prices of basic food and consumer goods, rents, utilities, transport and services.

Consumer subsidies make up 24 per cent of the East German budget and prevent urgently needed industrial investments in industry and the infrastructure.

The government, led by Mr Hans Modrow, the Communist Prime Minister, will propose changing Articles 12 and 14a of the Constitution which effectively ruled out privately-owned producers and foreign investments. The articles are virtually certain to be repealed.

The constitutional changes open the way for joint ventures to be set up by East German and western companies. They will also sanction direct investments in state and private companies. Appropriate legislation is expected by March.

East German officials have hinted that although western companies will normally be limited to a 49 per cent share in joint ventures this will not be a hard and fast rule.

The Government hopes the elimination of Article 12 in the Constitution – forbidding private ownership of industrial firms – and Article 14a – banning "private associations" in the economy – will lead to a flowering of small and medium-sized private enterprises in manufacturing and services.

But many obstacles remain before large numbers of private entrepreneurs will establish companies. Profits of private companies are still taxed at up to 90 per cent and wages in the private sector cannot exceed those paid in state industry.

Mr Halm, a member of the leadership of the National Democratic Party (NDPD) which strongly supports private enterprise, said a new tax law was urgently needed and that private sector wages in the future would be negotiated between unions and the responsible ministry.

A previous limit on the number of employees of private companies to 10 persons was lifted last month as part of stop-gap legislation to promote private enterprise until this weeks' constitutional changes.

Mr Halm said he had received an average of 40 to 60 applications daily from private persons eager to set up their own companies. Many more had been sent to local and district authorities. East Germany, which never wholly abolished private ownership last year had 81,000 private tradesmen and restaurants employing 262,000 people.

But he noted that state companies would prevail although they would become as independent, financially and managerially, as state firms in Austria and France.

"If we want to keep our social achievements then we must retain the dominance of state ownership for along time," he told the Financial Times.

Mr Halm suggested the likelihood of imminent cuts in consumer subsidies to prevent wastage of everything from bread to heat and electricity.

These cuts would be accompanied by compensatory payments while high prices for sophisticated consumer goods were likely to be lowered, he said.

A spate of recent readers' letters in Communist party newspapers demanding cuts in subsidies was, in fact, the strongest sign that a "holy cow" of East Germany since its founding 40 years ago is about to be slaughtered.

Helmut Kohl (right) talks with Hans-Dietrich Genscher, Foreign Minister, before yesterday's cabinet meeting in Bonn at which improved relations with East Germany were discussed

# Kohl warns on election rights

By David Marsh in Bonn

MR Helmut Kohl, the West German Chancellor, yesterday warned East Germany's Communist leadership that failure to grant the opposition equal chances in elections on May 6 would endanger economic help from the West.

Indicating his anxiety over continued emigration from East Germany of well over 1,000 people a day, Mr Kohl also appealed to disaffected East Germans to stay in their country and support the reform process there.

"It is the task of the Federal Republic to help strengthen confidence, so that the people will stay at home in Halle and Leipzig," he told a press conference.

Mr Kohl implicitly confirmed, however, that Bonn has little manoeuvring room for tough action with East Berlin in view of the risk of provoking fresh discontent and a new exodus to West Germany. A total of 344,000 fled last year – 2 per cent of East Germany's population.

In spite of criticism in Bonn of alleged obstruction of opposition groupings by the Socialist Unity (Communist) party, Mr Kohl said he was sticking to plans to hold talks here early next month with Mr Hans Modrow, the East German Prime Minister.

Mr Kohl also said that he would probably meet Mr Mikhail Gorbachev, the Soviet leader, in Moscow this year.

In a bid to calm worries in the West that the increased prospect of German reunification has dampened Bonn's enthusiasm for the European Community, the Chancellor underlined his support for European monetary union.

In a veiled attack on Mrs Margaret Thatcher, the British Prime Minister, Mr Kohl said, "Whoever wants to stop the way to economic and monetary union must know what they are doing."

At the same time, Mr Kohl placed unusally strong emphasis on "close and trustful" co-operation with the Bundesbank in preparing the inter-governmental conference on monetary union planned to start at the end of this year.

Since the Bundesbank is against any hasty decisions, this confirms that Bonn will not be in the driving seat in pressing for changes in existing monetary arrnagements.

Over Mr Modrow's visit, Mr Kohl described as "incomprehensible" the calls in Bonn to shelve the trip. Mr Otto Lambsdorff, leader of the Free Democratic Party, the junior partner in the Bonn coalition, has charged that the meeting will give the SED valuable pre-election publicity.

Mr Kohl said it would still be "practicable" to conclude a formal treaty with East Berlin before the May elections to pave the way for confederal links between the two Germanys.

He hit out at East Germany's sluggish efforts to bring in a market economy and open the way for foreign investment, saying that East Berlin should take a lead from reform-minded Hungary and Poland.

THE LEX COLUMN

# The market gets a gilt complex

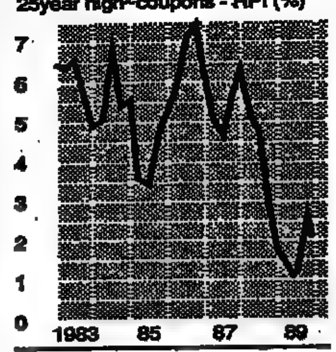
Among the various influences which have conspired to drag the FT-SE to its low for the year, the latest is the gilt market. Since Monday's news that the next reverse auction has been cancelled, long gilts have fallen by a couple of points. Though the cancellation was not unexpected, the market is now quite unsure what official funding policy consists of. The trigger level for buy-backs seems to be a budget surplus of £8bn upwards. But the 1990-91 surplus is forecast at anything between £7bn and £14bn. Even if the trigger is reached, it is not clear whether buy-backs will be resumed in any case.

Since the policy is estimated to have reduced long gilt yields by close to a full percentage point, the implications are not cheerful. But the market has more fundamental worries. Bonds around the world, from the US to Japan, continue to weaken as thoughts turn less to recession and more to inflation. In theory, the UK market should be insulated from this by the recent strength of sterling. But domestic evidence of an apparent revival in consumer spending, along with the resurgence of wage claims in both the public and private sectors, is enough to be getting on with.

Whether equities can hold out against this must be doubtful. A year ago the yield gap was 4.5 per cent; it is now 5.8 per cent – close to the top of the historic range. Equities started the year flush with hopes of no recession. As the bond market is pointing out, that need not be such a soft option after all.

**Real gilt yields**

25year high-coupons - RPI (%)




## Siemens/Nixdorf

It is not much consolation to the public holders of Nixdorf's non-voting stock, apparently left high and dry by Siemens's bid for the company, to be told by pundits that the deal is a vital element in an epic restructuring of European computers. But at least they can reflect that a Siemens/Nixdorf merger may not necessarily solve anyone's problems long-term. For once, the German stock market's unenthusiastic response, a slight fall in Siemens's share price to DM737.5, seems an appropriate reaction.

To the extent that Nixdorf's problem was straightforward slack management leading to surging labour costs, the potential for efficiencies is fairly clear. Spreading R&D costs over a single entity with sales of DM11.4bn, rather than two computer businesses each half that size, makes sense too. Perhaps 65 per cent of total sales look like being in West Germany, much of that to long-standing customers in niche areas like banking and retailing; so one assumes the merger will help stitch up the high-margin local market.

The doubts creep in over whether the simple act of merging really creates long-run economies of scale in the computer industry. In addition, a striking fact about Siemens's computer side recently has been its slow sales growth; a mere 4.7 per cent per annum since 1985-6. Getting this up to levels of European sales growth registered by such as Hewlett-Packard and DEC is going to be an uphill task, if it is possible at all.

## ADT/Britannia

Cash bids being standard these days, it comes as something of a surprise to see Britannia Security's board accept a paper offer without even the whiff of a cash alternative. But then judging by the way analysts have been marking down their forecasts for Britannia recently, perhaps the board had little option. Britannia tried, as Chubb did in the early 1980s, to create an across-the-board security group. But a forced retreat from the US meant that the company lost its ability to acquire its way out of trouble; its shareholders were too disillusioned to allow a paper issue and it was too highly geared to buy with cash. A bid has seemed on the cards for months.

For ADT, the deal seems a relatively straightforward strategic move – grabbing the number two spot in the UK alarm installation market to add to its number one position in the US. But the limited size of ADT's current UK operations must limit the potential for rationalisation, though smaller bits of Britannia, such as business services, will probably be sold off. ADT says the deal will cause no earnings dilution; whether shareholders will be able to sort out the effect by the time Britannia is absorbed into the group accounts is another question.

## Hanson

It is easy to become blasé about Hanson. Nevertheless, for the UK's sixth biggest company to forecast a 22 per cent dividend increase is a pretty confident gesture at the start of a year when the US and UK economies are teetering on the edge of recession. It would be hard to imagine smaller companies like ICI, Barclays or GEC being so bold. Of course, Hanson wants to ensure that the holders of its massive £1bn convertible convert, which will double its £1bn net worth at end September 1989. But it did not need to be so generous.

By March, the group should once again have net cash on its balance sheet. Assuming another £1bn-plus from further sales of bits of Gold Fields, it should have the borrowing capacity to mount the biggest takeover in history if it wanted. Meanwhile, its strong cash generation and prospective yield of 5.9 per cent make it a good defensive stock for uncertain times.

## Soviet gold

The gold bugs are more than usually schizophrenic about the latest news from Russia. On the one hand are tales of couples queuing to buy gold rings that do not fit and prices raised by 50 per cent in a bid to curb panic buying by a population fearing hyperinflation. On the other hand is a worry that the recent decline in Soviet gold exports will soon be reversed and that Soviet reserves, which could be as high as 10 per cent of the world total, will have to be run down to finance massive reconstruction of the Soviet economy. On balance, it all seems rather bullish. There is so little for the Soviet citizens to buy in local shops that gold is an obvious target, and this could have knock-on effects on the black markets. Meanwhile, the Soviet authorities must be more than usually anxious at least to maintain the price of one of their most valuable exports.

# ICI launches cost-cutting drive amid forecasts of slow growth

By Charles Leadbeater and Peter Marsh in London

IMPERIAL Chemical Industries, one of Britain's biggest manufacturing companies, disclosed yesterday that it had told its operating subsidiaries worldwide to tighten their belts in preparation for slower growth in 1990.

Sir Denys Henderson, ICI chairman, revealed that in November the company's senior management threw out proposed budgets for 1990 and called for a more realistic assessment of sales growth. Budgets for this year are yet to be finalised.

The cost-cutting by ICI is a clear signal that the economic downturn which has hit consumer-related manufacturing is spreading deeper into industry.

The ICI action to intensify cost-cutting emerged as the Chemical Industries Association warned that the UK industry would probably grow by only 1 per cent this year after 4 per cent growth in 1989.

The Association said British demand for chemicals collapsed during the last half of 1989, despite expanding by 8.5 per cent for the year as a whole. Demand is expected to grow by only ½ per cent this year.

The chemical industry's output was widely expected to fall from the peak in the early part of 1989, but it now appears that the slowdown will be much more severe than previously thought.

The Association's figures indicate that the trade position is worsening after a surplus of about £1.7bn ($2.8bn) in the sector last year. Imports last year grew about twice as fast as had been expected and were up 9 per cent to about £10bn. Exports, however, grew by just 1 per cent during the year, against the 4 per cent which the Association projected last January.

The forecasts are a clear sign that the downturn which has hit consumer-related manufacturing sectors, such as clothing and furniture, is set to spread further into industry. It comes as commercial vehicle manufacturers are reporting significant cuts in output, the steel industry is braced for a downturn and component makers are cutting production.

The fortunes of chemicals are strongly linked to production industries generally, as much of the output from the chemicals sector feeds into other manufacturing rather than being sold to consumers directly.

Sir Denys said ICI still planned to invest about £1bn a year worldwide although all managers had been told to look harder for cost savings.

Mr Ronnie Hampel, ICI's executive director, said the company was pushing for faster productivity growth to offset the cost of last year's 9.6 per cent pay settlement in the UK.

# China lifts martial law

Continued from Page 1

Hong Kong's tourist industry has been badly hit by the slump in visitors to China since June, and it is hoped that the ending of martial law will help bring tourists and businessmen back.

Mr Li's statement came shortly after the arrival in Peking of Sir David Wilson, governor of Hong Kong, making his first visit since June's events.

Soldiers were replaced by armed police in Peking's Tiananmen Square three months ago when troops were also removed from key bridges and intersections in the city centre.

The number of armed police has been gradually reduced to only a few dozen who yesterday stood around a perimeter fence and guarded small entry gates.

Access to the square, which has become an international symbol of the students' democratic movement, has been eased, but a close guard is likely to continue, especially at night, to prevent memorials being erected to last June's dead.

With martial law lifted, it should in theory now be easier for people to congregate in public and for journalists to conduct interviews with officials and civilians. But in practice the tight security machine that has been built up, partly through widespread deployment of plain clothes security personnel, will ensure that the freedoms that existed before last June will not return.

Li warned last that people must "remain vigilant" against "some unstable factions."

He repeated the government's line that martial law had been "timely, necessary and correct." It had performed a "historic role" in stabilising the country said Li, who praised security forces for their "immortal exploits."

● Hong Kong's Executive Council, which advises the colony's governor, has refused to accept a draft of a Bill of Rights because it did not contain a provision to protect it from being overriden by Peking. The Bill has been sent back to the drafters which means that its publication, originally expected for tomorrow will now be delayed.

## WORLD WEATHER

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | S | 17 | 63 | Dubrovnik | S | 13 | 55 | Malta | C | 14 | 57 | Rhodes | S | [illegible] | [illegible] |
| Algiers | F | [illegible] | [illegible] | Edinburgh | F | [illegible] | [illegible] | Manchester | C | 10 | 50 | Rio de J'o | F | [illegible] | [illegible] |
| Amsterdam | C | [illegible] | [illegible] | Faro | S | 14 | 57 | Manila | F | 30 | 86 | Rome | S | 11 | 52 |
| Athens | S | 12 | 54 | Florence | S | [illegible] | [illegible] | Melbourne | C | 25 | 77 | Salzburg | S | 1 | 34 |
| Bahrain | F | 19 | 66 | Frankfurt | C | 2 | 36 | Mexico City | F | 23 | 73 | San Francisco | C | 11 | 52 |
| Bangkok | F | [illegible] | [illegible] | Funchal | F | 17 | 63 | Miami | C | 18 | 64 | Seoul | C | [illegible] | [illegible] |
| Barcelona | S | 11 | 52 | Geneva | C | -1 | 30 | Milan | Fg | 4 | 39 | Singapore | - | - | - |
| Beirut | - | - | - | Gibraltar | F | [illegible] | [illegible] | Montreal | Sn | -1 | 30 | Stockholm | S | [illegible] | [illegible] |
| Belfast | F | 9 | 48 | Glasgow | F | [illegible] | [illegible] | Moscow | Sn | 1 | 34 | Strasbourg | C | [illegible] | [illegible] |
| Belgrade | C | -5 | 23 | Guernsey | C | [illegible] | [illegible] | Munich | F | -1 | 30 | Sydney | C | [illegible] | [illegible] |
| Berlin | C | 4 | 39 | Helsinki | S | 2 | 36 | Nairobi | S | [illegible] | [illegible] | Taipei | C | 21 | 70 |
| Biarritz | C | [illegible] | [illegible] | H. Kong | S | 22 | 72 | Naples | S | 12 | 54 | Tangier | F | [illegible] | [illegible] |
| Bombay | S | 32 | 90 | Innsbruck | S | -4 | 25 | Nassau | C | [illegible] | [illegible] | Tel Aviv | S | 13 | 55 |
| Bordeaux | S | 7 | 45 | Inverness | S | 8 | 46 | New Delhi | S | [illegible] | [illegible] | Tenerife | F | 19 | 66 |
| Brussels | C | 5 | 41 | Islamabad | C | 16 | 61 | New York | R | 7 | 45 | Tokyo | R | [illegible] | [illegible] |
| Budapest | C | -5 | 23 | Istanbul | F | 6 | 43 | Nice | F | [illegible] | [illegible] | Toronto | Sl | 1 | 34 |
| B. Aires | F | 26 | 78 | Jakarta | R | [illegible] | [illegible] | Nicosia | C | 14 | 57 | Tunis | F | 15 | 59 |
| Cairo | F | 16 | 61 | Jersey | C | [illegible] | [illegible] | Oporto | S | 12 | 54 | Valencia | C | 7 | 45 |
| Cape Town | S | [illegible] | [illegible] | Jo'burg | F | [illegible] | [illegible] | Oslo | F | 4 | 39 | Venice | S | 5 | 41 |
| Caracas | C | 26 | 79 | Lima | F | 25 | 77 | Paris | C | 5 | 41 | Vienna | C | -2 | 28 |
| Casablanca | S | 15 | 59 | Lisbon | S | 10 | 50 | Peking | S | 0 | 32 | Warsaw | C | 3 | 37 |
| Chicago | C | -1 | 30 | London | C | 10 | 50 | Prague | S | 4 | 39 | Washington | F | 5 | 41 |
| Cologne | C | 5 | 41 | Los Angeles | S | [illegible] | [illegible] | Reykjavik | F | -3 | 27 | Zurich | Sn | -3 | 27 |
| Copenhagen | C | 4 | 39 | Luxembourg | C | 2 | 36 | | | | | | | | |
| Corfu | S | 12 | 54 | Madrid | F | 7 | 45 | | | | | | | | |
| Dallas | - | - | - | Majorca | S | [illegible] | [illegible] | | | | | | | | |
| Dublin | R | 11 | 52 | Malaga | S | [illegible] | [illegible] | | | | | | | | |

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

# Violence spreads in Soviet republics

Continued from Page 1

ritory were "illegitimate."

The praesidium also passed a resolution declaring as "gross violations of the law" the Azerbaijani demonstrations on the Iranian border over the New Year, when frontier fortifications were demolished.

Against the background of widespread protest, Mr Gorbachev is taking the peaceful Lithuanian challenge most seriously of all. He has already labelled the move as a threat to perestroika, and to the unity of the whole Soviet Union.

Yet at the same time he seems to be bent on conciliation with the rebellious Lithuanians, not confrontation.

Mr Gorbachev is taking a significant political gamble in facing the possibility of mass demonstrations by Lithuanians demanding outright independence and snubbing any hope he has of reaching a compromise.

Already yesterday at least 20,000 people gathered in Cathedral Square, in the centre of Vilnius, the Lithuanian capital, in a demonstration for Lithuania's freedom and democracy, organised by Sajudis, the moderate nationalist movement.

Mr Gorbachev now must somehow dodge outright confrontation with the Lithuanian party, without abandoning the minority of Soviet party loyalists who have formed an alternative republican central committee. Ideally, he needs a compromise from the independent Lithuanian Communist Party not to make their break final, in order to step up pressure for reform back in Moscow.

# FINANCIAL TIMES
# COMPANIES & MARKETS



Thursday January 11 1990

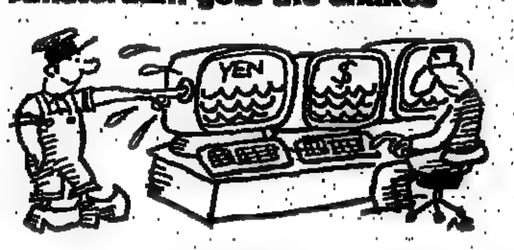


## INSIDE

### Struggle for survival given touch of Disney

From Walt Disney to Israel's Koor Industries may seem like the distance from Mars to the moon, but the emergence of a link between them this week has transformed the hitherto depressing struggle by Koor to survive its inability to service its billion-dollar debts. The link is as yet a tenuous one: so far it amounts to a proposal by a private company owned by Roy Disney (left), nephew of Walt, and his wife to buy a controlling stake in Koor as part of a deal in which the Israeli Government, Koor's present trade union ownership and the group's domestic and foreign creditors would help cover the debt. Hugh Carnegy looks at this and other developments in the saga. Page 17

### Amsterdam gets the shakes




Pity the Dutch stock exchange dealers. Computer failings hit most offices from time to time. But in Amsterdam the fear is that, after three breakdowns in stock trading in as many months, the problems could hit livelihoods. "It makes Amsterdam look provincial," said one trader, giving voice to concerns that the problems with the two-year-old system would shake investor confidence and dull the city's competitive edge. Laura Raun reports. Page 36

### Uncertainties hang over swaps

Last November's High Court ruling that declared swap market transactions by the London Borough of Hammersmith and Fulham unlawful has not only precluded all local government bodies from dealing in the swaps market, it has also cast a shadow over the market activity of other non-incorporated bodies, such as building societies. With an Appeal Court hearing scheduled for Monday, Deborah Hargreaves looks at the continuing uncertainty in the sector as banks fear huge losses from their transactions with UK local authorities. Page 22

### Hopes turned upside down

TSB

So deep is the pessimism in the City that if TSB's pre-tax profits reach half of the 1988 year-end figure of £420m, the results will be greeted as something of a success. With the bank announcing today its third set of annual results since its 1986 flotation, David Barchard examines how high hopes have turned to expectations of bad news. Page 23

### Market Statistics



### Companies in this section



### Chief price changes yesterday

**FRANKFURT (DM)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Porsche | 895 | + | 24 |
| Preussag | 455 | + | 5 |
| **Falls** | | | |
| Daimler-Benz | 851 | – | 8 |
| Mannesmann | 358 | – | 4.5 |
| Siemens | 737.5 | – | 3.3 |
| Volkswagen | 551 | – | 11 |

**NEW YORK ($)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Germany Fd | 23 | + | 2⅛ |
| Newmont Gold | 52⅜ | + | 1⅛ |
| Profit Sys | 10½ | + | 1½ |
| **Falls** | | | |
| Ames Dept Store | 8⅜ | – | ⅝ |
| Delta Airlines | 66⅝ | – | 2 |
| MGM-UA | 13⅞ | – | 1⅜ |

**PARIS (FFr)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Bouygues | 621 | + | 9 |
| SAT | 1645 | + | 78.6 |
| Suez | 464.9 | + | 10.9 |
| **Falls** | | | |
| B.I.P. | 1020 | – | 46.7 |
| Eurotunnel | 63.8 | – | 2.8 |
| Paribas | 666 | – | 4 |

**TOKYO (Yen)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Dai-Ichi Seiko | 3800 | + | 140 |
| Kanda Tsushin | 1460 | + | 160 |
| Kyoei Tanker | 1490 | + | 190 |
| Ricoh Elemex | 3700 | + | 400 |
| Shibaura Eng | 1420 | + | 200 |
| Teikoku Sen-I | 1600 | + | 170 |

New York prices at 12.30pm.

**LONDON (Pence)**

| | | | |
|---|---|---|---|
| **Rises** | | | |
| Allied Lyons | 515 | + | 4 |
| Camford Eng | 253 | + | 10 |
| Higgs & Hill | 432 | + | 10 |
| Home (R) | 350 | + | 100 |
| Smith (W.H.) A | 357 | + | 5 |
| Vickers | 219 | + | 3 |
| York Chems | 373 | + | 7 |
| **Falls** | | | |
| Barclays | 569 | – | 10 |
| Bowthorpe | 198 | – | 8 |
| Cable & Wire | 553 | – | 8 |
| Eurotunnel | 668 | – | 15 |
| GKN | 450 | – | 10 |
| Lucas | 653 | – | 12 |
| Midland | 375 | – | 9 |
| Parkfield | 497 | – | 12 |
| Racal Tele | 392 | – | 11 |
| Shell | 465 | – | 10 |
| Ultramar | 366 | – | 10 |
| VPI | 55½ | – | 16½ |
| Wassall | 217 | – | 2 |
| Wellcome | 758 | – | 17 |

# RJR eases junk bond fears with Del Monte sale

By Anatole Kaletsky in New York

RJR NABISCO, the food and tobacco conglomerate which was taken private last year in the world's biggest leveraged buy-out, yesterday closed the eagerly awaited sale of its Del Monte Foods processed foods business for nearly $1.48bn. The completion of the deal was a source of satisfaction for RJR's junk bondholders, and for the group's owners, New York buy-out specialists Kohlberg Kravis Roberts.

Junk bond investors in several KKR companies have been battered by severe losses, culminating in last month's $3bn bankruptcy of Hillsborough Holdings. With the proceeds of the Del Monte disposal, RJR will be able to repay the remainder of a $6bn bridging loan taken out to finance the $25bn acquisition.

The loan is due for repayment in February and there had been concerns among some RJR junk bondholders that the company's financial position could be damaged by delays in completing the Del Monte disposal.

RJR signed agreements to sell Del Monte last September. But while the acquisition of the fresh foods business for $875m was promptly completed by Britain's Polly Peck International, the sale of the processed foods side ran into serious financing snags.

It was to have been bought by its management, originally backed by Citicorp Venture Capital. This fell through when the Federal Reserve Board raised questions about the bank's involvement as an equity investor in the deal.

The purchase was subsequently restructured, with the Merrill Lynch leveraged buy-out fund taking the leading equity role and Kikkoman Corporation of Japan agreeing to acquire most of Del Monte's Far Eastern businesses.

However, this deal was still contingent on the Del Monte buy-out group arranging financing and after the collapse of the junk bond market in October, there was concern that the sale might not be completed in time for RJR to meet the February deadline for its bridging loan repayments.

With the Del Monte sale closed, Mr Louis Gerstner, RJR's chairman, said the company had "substantially completed our plan to reduce debt with asset sales."

# Siemens buys out UK light bulb partner

By Charles Leadbeater, Industrial Editor, in London

BRITAIN'S General Electric Company has sold its 51 per cent stake in GEC-Osram, the light bulb manufacturer with about a fifth of the UK market, to Siemens, the West German industrial group, its partner in the business since 1986.

The sale, which follows last year's move by General Electric of the US to acquire a majority stake in Tungsram, the Hungarian manufacturer, is a further consolidation of the international lighting industry.

Neither company would give financial details, but it is understood Siemens will pay between £30m ($50m) and £35m for GEC's stake. GEC-Osram was created almost four years ago under a deal in which Siemens spent £40m to buy a 49 per cent stake in the company, which became part of the GEC group in 1916.

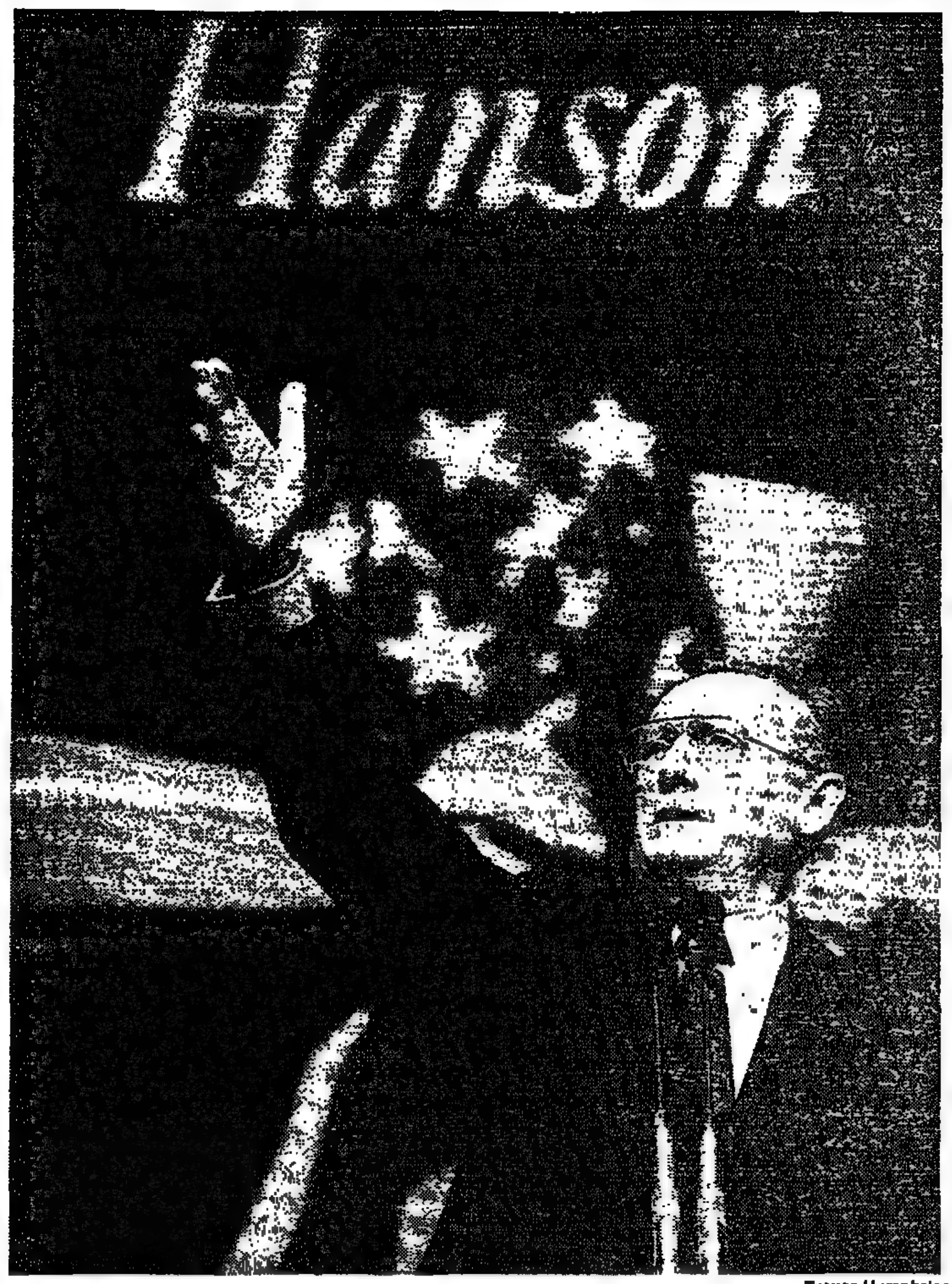
GEC said the company made only a small profit last year on turnover of £73m.

With the international industry increasingly dominated by GE and GTE of the US, Philips of the Netherlands and Siemens, through its Osram subsidiary, attention may turn to the future of Thorn EMI's lighting division, which is the UK's leading independent manufacturer with about 31 per cent of the market.

The acquisition, combined with Osram's independent market share of 5 per cent through Wotan, will give Siemens a quarter of the UK market.

GEC judged it was not strong enough in the industry to become a significant international player. However, the timing of the sale also reflects short-term considerations. With interest rates at 15 per cent, GEC decided it was more profitable to sell the stake, especially in the light of gloomy prospects for retail sales, than take its share of the profits.

The 1986 deal envisaged Siemens would eventually take majority control. The agreement gave GEC the right to require Siemens to buy the remaining stake after three years, and Siemens could have required GEC to sell in 1993.




Trevor Humphries

Lord Hanson: generous praise from private shareholders and laudatory speeches from two of the group's largest institutional investors accompanied his forecast of a 20 per cent higher payout this year

# Hanson pledges 20% dividend rise

By Vanessa Houlder in London

A PACKED meeting of Hanson shareholders, at London's Barbican centre yesterday, gave a warm reception to news of a prospective 20 per cent dividend increase.

The forecast of a 10.4p dividend for the year to September 30 1990 was made to help holders of Hanson's £1bn 10 per cent convertible loan stock decide whether to convert their stock into shares next month.

The annual meeting – the first since Hanson broke through the £1bn profits barrier – was punctuated by generous praise from private investors and laudatory speeches from two of Hanson's largest institutional shareholders.

Lord Hanson's talents were particularly commended, although one shareholder wondered why, as an ardent supporter of Mrs Thatcher, he had disregarded her qualms about pay increases when he accepted a 24 per cent rise in his salary. Lord Hanson's modesty prevented him from answering the question, but a fellow director said that in a competitive world, he would find it possible to exceed his earnings by a very substantial amount elsewhere.

Other contributions from shareholders ranged from a complaint about the environmental record of a former quarry to a plea for Hanson to lend practical help to eastern Europe's attempt to get capitalism off the ground.

The group was available to give information and help, but it was early days to invest in these countries, said Lord Hanson.

Lex, Page 14

# Washington challenges Gillette's Wilkinson Sword deal

By Anatole Kaletsky in New York

THE US Justice Department yesterday challenged the acquisition of Wilkinson Sword's non-European razor blade business by Gillette, the Boston-based company which has a commanding share of the US and worldwide shaving market.

The Justice Department's anti-trust division said it was asking the District Court in Washington for an immediate injunction against the proposed acquisition on the grounds that it might substantially lessen competition and pose a "significant risk" of higher prices for US consumers.

Gillette responded with "surprise and disappointment" to the government's intervention, which it said was completely unwarranted, given the very small market share Wilkinson enjoyed in the US.

Legal experts suggested that a settlement might well be possible between the company and the US government if Gillette were willing to exclude Wilkinson's small US business from its proposed acquisition.

Wilkinson supplies only 3 per cent of the US razor market by volume and 1 per cent by value, according to Gillette officials.

Gillette dominates the market, accounting for about 65 per cent by value of the $700m US wet shaving market. Its executives indicated yesterday that Wilkinson's US business was only of marginal interest compared with Wilkinson's much bigger business in the Far East, Latin America and Europe outside the European Community.

But some lawyers argued that the Justice Department might not be content to allow the merger, even if Gillette agreed to a US divestment. One argument which anti-trust lawyers could use would be that Wilkinson was a "potential entrant" to the US market. Its elimination as a worldwide competitor might therefore weaken competition in the US.

Among Wilkinson's most important non-EC markets are Australia, Brazil, Austria and South Africa. In each of these a Wilkinson-Gillette combination would have a market share of well over 50 per cent.

Gillette agreed just before Christmas to pay $155m for Wilkinson's businesses outside the EC. The deal was part of a complex arrangement in which Wilkinson's present owner, the Stora group of Sweden, sold its consumer businesses to a consortium of US and Scandinavian companies.

# ADT in £105m security takeover

By Andrew Hill in London

ADT, the electronic security systems and car auctions group, is to become the UK's second largest alarm installation company through an agreed £105m ($175m) offer for Britannia Security Group.

The bid runs against the trend of recent UK takeovers in that it has no cash element, but Mr Kevin Watters, Britannia's finance director, said this had not deterred the board from recommending the deal.

"ADT is an excellent company with an excellent track record and good prospects," he said.

He added that the offer – 69 new ADT shares for every 100 shares in the target company – represented a premium of nearly 30 per cent over Tuesday's closing price of 109p for each Britannia share, although it is well short of last March's peak of 215p.

Yesterday the gap narrowed as Britannia's shares rose 26p to match the new 135p value of the ADT offer. ADT's shares slipped 6p to 195p.

Britannia, which is also involved in electronic article surveillance and property maintenance services, ran into problems last year, after spending about £15m on acquisitions. The group's 1988-89 results were hit by increased borrowing charges and by delays in the development of its Actron electronic tagging system.

In October, Britannia announced that profits had slipped from £10m to £9.61m. It was already in the process of selling peripheral businesses to refocus on the core security operation and reduce gearing, a policy which ADT may continue.

Mr David Hammond, ADT's finance director, said yesterday that the company had little interest in data management and building services, and would also look closely at the electronic tagging business before deciding whether to keep it.

He said ADT had been monitoring the Britannia share price for some time: "When the market lowered its expectations at the end of November the price assumed something closer to fundamental values and at that stage we genuinely became interested, from a strategic point of view, in catapulting our UK business into the number two slot."

The UK market leader is Automated Security (Holdings) in which ADT has an undeclared stake.

ASH and ADT are key participants in the continuing consolidation of the worldwide security industry.

In the last two years, ASH has bought strategic stakes in UK manufacturers and distributors of security products and last year expanded into the North American market, which ADT claims to dominate, by buying a central alarm monitoring network in California.

Lex, Page 14

# Bill comes due for innocent abroad

By Alice Rawsthorn

THIS IS a cautionary tale. It is the story of how an over-ambitious British company crossed the Atlantic to pay too high a price for a US business only to find itself with plunging profits and on the wrong side of a grand jury investigation.

The over-ambitious Brit is the VPI Group, one of the wave of communications companies which went public in the bull market of the mid-1980s. Its expensive US acquisition is the Carter Organisation, which made its name as a proxy solicitation company in the Wall Street takeover boom.

The latest chapter in the saga unfolded yesterday, when VPI announced a fall in pre-tax profits from £14.1m ($22.6m) to £6.5m in the year to September 30. It also announced that Mr Don Carter, the flamboyant founder of the Carter Organisation, who is under investigation for tax evasion, had resigned from the VPI board and as chairman of Carter.

When VPI acquired Carter in the summer of 1987, the New York stock market was soaring. Carter's business of soliciting proxy votes for shareholders' meetings was booming. Its Park Avenue opulent offices were used as a set in the film, Wall Street. Mr Carter was an extra in it.

The acquisition could scarcely have been worse timed. Four months later the New York market crashed. Early last year, when the junk bond market collapsed, the bulk of Carter's business disappeared.

Yesterday the full extent of its problems were revealed. Despite a strong performance from the original UK consultancies, group turnover tumbled to £53.67m (£60.4m) and earnings per share to 10.1p (18.3p). The total dividend has been cut to 1.6p (3.5p). Mr Angus Maitland, chairman, described the outlook as "uncertain".

VPI's share price plunged from 72p to 55½p. Barclays de Zoete Wedd cut its profit forecast from £7m to £5m.

The terms of the Carter deal were renegotiated more than a year ago, when the maximum consideration was reduced from $115m to $100m. Mr Reg Valin relinquished his role as VPI's chairman last summer. Mr Richard Pollen, co-founder of the group, has since resigned.

In the meantime, VPI is waiting for the next chapter in the story to unfold: when it sees whether Mr Carter will face civil or criminal charges as a result of the grand jury investigation.

# Approach to shareholder hints at bid for Horne

**By Maggie Urry in London**

A POSSIBLE takeover bid for Robert Horne, a leading UK paper merchant, was signalled yesterday when the group revealed that an approach had been made to Kenneth Horne Family Holdings, a company which owns 51.3 per cent of the group's voting shares. Kenneth Horne, now in his 70s and president of the group, is the son of the founder.

Robert Horne's ordinary shares rose 100p to 350p on the news, while the 'A' non-voting shares closed 84p higher at 292p. At these prices market capitalisation is £101m ($167m).

The news came on top of results from the group which showed pre-tax profits in the year to end-September down from £15.4m to £15m. Profits were mainly hit by the formation of an office products distribution division through the acquisition of three companies, for a total cost of £7.4m, completed a year ago. Unexpected problems caused a £1.2m pre-tax loss, as well as financing charges of approaching £1m.

Earnings per share fell from 30.1p to 29.3p, while an increased final dividend gives a total of 8.5p for the year, up 3 per cent.

Sir Kenneth Berrill, chairman of Robert Horne, said the group could make no comment about the approach beyond saying that "a further announcement would be made in due course."

Observers believe that the pulp and paper industry is due for a cyclical downturn in the next two years and suggest that mergers and acquisitions will be needed to form stronger companies. After UK Paper's agreement to a takeover bid last month, analysts suggested that Robert Horne might agree to become part of a larger group, too.

The group's paper merchanting business increased pre-tax profits by 10.2 per cent to £14.4m during the year. Sales volume was static, although the market saw a 6 per cent increase, but Robert Horne increased prices by 5.6 per cent, preferring to maintain margins than market share.

However, Robert Horne's other divisions fared less well, with the exception of Atkins and Cripps, a hardwood distributor. This increased profits 36.7 per cent to £756,000.

Of the office products division, the chairman said that "we may well have to wait until 1991 before we see a satisfactory return on our investment."

# Nissan to replace Bluebird range

**By Kevin Done, Motor Industry Correspondent**

*NISSAN, Japan's second* largest car maker, is to make a significant change in its European product strategy with the replacement of its UK-built Bluebird saloon range later this year.

The new car, which will be launched first in Japan next month, will also be launched in the autumn in the US market under the group's new luxury marque, Infiniti. The car will be crucial to the future of Nissan's £617m ($1.020m) UK assembly plant in Sunderland, north-east England, where the European version will be built.

It is understood that the car will be sold under the Nissan name in both Japan and Europe, but the same model *will be launched as a new* entry-level car for the Infiniti luxury car franchise in the US. This indicates the group's determination to use the new upper-medium car range to take the Nissan marque decisively up-market in Europe.

Nissan unveiled a concept car, which is understood to be closely related to the new car range, last year at the Tokyo motor show under the name Primera, and it is believed that the same name will be used for the new car range in both Europe and Japan.

The existing Bluebird, which started production in Europe at Nissan's Sunderland assembly plant in north-east England in 1986, will be taken out of *production later this year.*

Capacity for the Primera at the UK plant will be around 100,000 a year and should be reached in 1991. Some 60 per cent of the production will be aimed at the UK market. A sec*ond small Micra-class* car range with a 100,000-a-year capacity will be added at Sunderland, the first Japanese car plant in Europe, in 1992.

The Primera, which is planned to reach a local (European Community) content of at least 80 per cent, will be crucial to the company's efforts to increase its sales in markets, such as Italy, France and Spain, which currently have tight restrictions on direct car imports from Japan.

# Joint venture buys US biotechnical group

**By Enrique Tessieri in Helsinki**

CULTOR, a Finnish nutrition company, and Eastman Kodak have purchased San Francisco-based Genencor, a leading US biotechnical and research company.

*The acquisition was made* through Newco, an enzyme joint venture founded last October, which is equally-owned by Cultor and Eastman Kodak.

Cultor, which changed its name last year from Finnish Sugar, said the acquisition of Genencor would help the Cul*tor/Kodak joint venture to* expand in the US. Genencor has a turnover of $20m.

Cultor, had a turnover of FM4.6bn ($1.2bn) in 1989. It employs 4,500 staff.

During the 1980s, Cultor has been diverging into other fields including sugar, special sweeteners, foodstuffs, animal feeds *and biotechnical research.*

Newco expects that with Genencor on board its 1990 turnover will reach $100m.

# French seek 30% of UK advertising agency

**By Alice Rawsthorn**

BOULET DRU Dupuy Petit (BDDP), the ambitious French advertising agency, yesterday announced a £5.2m ($8.6m) tender offer for 29.9 per cent of Broad Street, the UK public relations group which was involved with some of the biggest bid battles of the 1980s.

The shares will be sold by Broad Street's directors. Mr James Gulliver, who is stepping down as non-executive chairman, will reduce his holding from 10 to a minimum of 3 per cent. Mr Brian Basham, one of the founders of the company, will see his holding fall from 24 to a minimum of 10 per cent.

BDDP, which has grown rapidly by acquisition across Europe since its formation six years ago, has made no secret of its UK expansion plans. Last year it staged an unsuccessful bid for Boase Massimi Pollitt, one of the leading UK ad agencies, which was eventually taken over by Omnicom, the *US marketing group.*

The rationale for BDDP's investment in Broad Street is to use it as a base for a network of corporate communications companies in Europe, and eventually in the US. BDDP already owns such companies in France and the Netherlands. It is also involved in the field through its stake in Batey, the Singapore-based marketing group.

Mr Jean-Claude Boulet, chairman, said BDDP would invest between £5m and £10m over the next three years to create a European network of corporate communications companies. He expected it to generate income of £30m within three years.

Broad Street has been embroiled in bid rumours for several months. Mr Boulet said BDDP had considered mounting a full bid but decided a minority holding would be "a safer investment."

BDDP has agreed to buy 2.65m shares — or 6.5 per cent of the equity — for 42.5p a share. It will also mount a tender offer of 42.5p a share for *up to* 9.49m shares, or 23.4 per cent of the equity. Broad Street's shares rose by $1\frac{1}{2}$p to $35\frac{1}{2}$p in London yesterday.

# Allfinanz takes root in Germany

## Haig Simonian on overlaps between banks and insurance companies

WEST Germany's network of links between banks and insurance companies has been virtually completed following a series of exclusive marketing pacts between leading players in the field.

Spurred by the trend towards *Allfinanz* — widespread financial services under one roof — Dresdner Bank, Germany's second biggest bank, has finalised the insurance strategy inaugurated last March, when it struck a deal with Allianz, the country's leading insurer, covering five states in central Germany.

Meanwhile, Bayerische Vereinsbank, the country's fifth biggest bank, has ended weeks of speculation by linking its name to Victoria, another leading insurer.

In a complex deal involving Deutscher Herold, Hamburg-Mannheimer and Victoria, three leading German insurance companies, Dresdner Bank has reached cross-marketing agreements covering the entire country.

Bayerische Vereinsbank's separate pact with Victoria allows the two groups to cross-market a number of each other's products. Going somewhat further than Dresdner Bank's arrangements, the companies will also set up a new asset management operation, in which Victoria will have the majority share.

The latest deals illustrate the continuing attractions of Allfinanz, a strategy pioneered by the Aachener und Münchener insurance company, which in 1987 bought a majority stake in Bank für Gemeinwirtschaft, a nationwide financial institution.

By contrast, Deutsche Bank, Germany's biggest bank, has followed an independent course with the establishment of its own life insurance subsidiary, Lebensversicherung der Deutschen Bank, in direct competition to the country's powerful insurance industry.

Deutsche Bank's operation, which opened for business in early September, has been advertising heavily and presenting itself as a fresh alternative for those wanting a change from the country's established insurers. Without challenging the insurers on rates, it has been stressing greater flexibility and convenience for the customer as its selling points.

Lacking Deutsche Bank's clout, other banks have adopted a more conciliatory approach towards the insurance lobby, explaining the growth of bilateral marketing pacts. Moreover, many bankers are also keen to grab the potential extra business — especially in securities commission income — that may come their way, at Deutsche Bank's expense, from disgruntled insurers.

Curiously, the rapid changes in bank-insurer relations have left Dresdner Bank, Germany's second biggest financial institution, in a more difficult position than some of its smaller rivals.

THE bank has tried to steer a middle course between co-operating with Allianz, while at the same time not associating itself too intimately with the giant group.

The caution is understandable. At the height of speculation over bank-insurance links last year, some pundits even proposed that Allianz might be interested in taking over the bank, a suggestion strongly denied by both sides. But, in spite of their bank's strengths, avoiding too close an embrace with the huge Munich-based insurer was clearly a consideration for Dresdner Bank's executives.

Hence their strategy of knitting a patchwork of marketing agreements with a number of leading insurers in different parts of the country, which has now been completed.

Mr Georg Krupp: 'in the black relatively quickly'

Matters have been simpler for the smaller Bayerische Vereinsbank, although its search for an ideal partner has taken some months. The bank is to co-operate with Victoria throughout Germany, with cross-marketing of not just life insurance, but also policies covering property, sickness, legal protection and motor cover.

Whatever the nuances between the different deals being struck, the underlying philosophy behind them is much the same. In each case, those involved have agreed to cross-market certain products, notably in the home finance and life insurance sectors.

Both parties have seen obvious advantages in combining their strengths. While most big banks have developed widespread, but expensive, branch networks, German insurers tend to do business by means of an army of exclusive full and part-time commission agents, many of whom work from home, or from small low-cost offices.

Combining the two sales techniques should help to improve coverage for both sides, at negligible extra cost. Moreover, while nearly all the new bank-insurance pacts have started with life insurance and a number of personal loan or investment products as their basic tools, a number of companies are already planning to extend the range.

How profitable the new ventures will be remains unclear, partly because most are still so new, and few of those involved are willing to provide any figures. However, one senior Dresdner Bank official says that earnings from the pact with Allianz in the first two months of full operation were already double the sum made in the whole of 1988, when the two companies co-operated much more loosely.

In spite of admitting that reaching profitability in life insurance is a long-haul, Mr Georg Krupp, the managing board member of Deutsche Bank responsible for its insurance initiative, is also bullish about his profits forecasts for the bank's new operation.

If income for the bank as a whole — rather than just the insurance operation — is taken into account "we will be in the black relatively quickly," he says.

Obviously, setting up an in-house insurance operation allows the bank advantages over a pure life insurer. Rather than just gaining a commission on the policy, the bank as a whole earns more thanks to the fee income generated as savers' funds are invested in securities.

In its first three months of operation, Deutsche Bank's life unit sold over 30,000 contracts. Sales of new policies have now stabilised at 500-600 each working day, and Mr Krupp expects the current growth rates to be maintained. "We are well in the country's top 10 life insurers," he says.

# DSM doubles net profit and plans to raise payout

DSM, the Dutch chemicals company, said yesterday that net profit for 1989 would exceed Fl 1.35bn ($710m), more than double the previous year's level, writes Laura Raun in Amsterdam.

The company plans a higher than expected final dividend.

DSM, which was partially privatised last year, said that after-tax profit on ordinary activities amounted to about Fl 1bn in 1989. To this has to be added an extraordinary profit of more than Fl 350m arising mostly on the sale of DSM's shareholding in DAF, the Dutch truck maker, and multi and polyvinylchloride activities.

The final dividend is to be Fl 6.40 a share, making a total of Fl 8 and yielding nearly 7 per cent — one of the highest industrial company yields on the Amsterdam bourse. Local analysts had been expecting a total dividend of Fl 7.

After-tax profits on ordinary activities totalled Fl 449m in the second half of last year following Fl 551m in the opening six months. DSM is 33 per cent owned by the Dutch Government.

## INTERNATIONAL COMPANIES AND FINANCE

# Disney turns its spotlight on Koor

### Hugh Carnegy on a new white knight for the troubled Israeli group

From Walt Disney to Koor Industries may seem like the distance from mars to the moon. But the emergence of a link between the two companies this week has transformed the hitherto depressing struggle by Koor, the beleaguered Israeli group, to survive its inability to service a billion-dollar debt.

The link is still a tenuous one: so far it amounts to a proposal – details have not yet been disclosed – by a private company owned by Mr Roy Disney, nephew of Walt, and his wife to buy a controlling stake in Koor. Part of a deal would involve the Israeli Government, Koor's present trade union owners and the group's domestic and foreign creditors chipping in to help cover the debt.

Securing such a deal from this often conflicting group of interests will be no easy task.

Nor, it turns out, is the proposal by Shamrock, Mr Disney's company, the only foreign expression of interest in Koor. The Belzberg brothers of Canada, proprietors of a big real estate, manufacturing and financial services empire in North America, say they are potential buyers. And according to Koor, news of these moves has sparked inquiries from other sources.

While these seemingly unlikely developments grabbed the headlines in Israel, an underlying issue drew less attention. Koor is the industrial bastion of what is often called the Histadrut economy, named after the trade union federation which owns the group through its holding company Hevrat Ha'ovdim.

This company has built a huge empire, controlling a third of the economy, on the principle of providing secure employment for Zionist Jews coming to Israel. Profits are not the priority.

Koor is still the country's biggest group, employing 20,000 people in a range of activities from cement, through food to telecommunications. Were it to pass into the private sector, it would be a significant moment for both the Histadrut and the economy as a whole.

Why there should be a sudden rush of foreign interest in a group which has teetered on the brink of collapse for more than a year is a mystery.

One explanation may lie in a series of meetings which Mr Shimon Peres, Israel's Finance Minister, had in the US recently with investors. These included Mr Stanley Gould, president of Shamrock (which already has some small-scale interests in Israel), and the Belzbergs.

Mr Peres has relentlessly – but so far without too much success – sought foreign investors' money to inject into the moribund Israeli economy.

In spite of his position as leader of the country's Labour movement, he sees foreign investment as a vital source of new capital which would help Israel to integrate better with the world economy and shift the emphasis at home towards the private sector.

In Koor's case, finding a foreign buyer would be especially propitious because, as the group's plight has become increasingly desperate, calls for a government rescue have mounted.

The rush of excitement this week has tended to obscure Koor' slide towards insolvency. It has already declared its inability to pay a bi-annual tranche of interest due on $105m-worth of US bonds which, if not met, will mean formal default at the end of this month.

The lack of agreement between creditors has meant Koor cannot proceed with planned asset sales, exacerbating its woeful cash flow problems. Tadiran, its main subsidiary and loss-maker, has recently been unable to make some salary payments.

Confronted by this, the Histadrut has apparently conceded the principle of surrendering control of Koor.

Mr Yisrael Kessar, the federation's secretary-general, has warned of the danger of the group falling prey to asset-strippers.

But he stresses that securing the viability of Koor is the chief concern.

Hevrat Ha'ovdim says it will not, under any circumstances, relinquish its interest in Koor. But, crucially, it has not ruled out giving up a majority stake.

A senior official says it would, in the right circumstances, be prepared to hold on to only a minority stake that would, in effect, give it no more than a protective veto over new management. "We are prepared to make arrangements to save Koor. Whether that involves selling a share or control of Koor is a matter for negotiation."

However, much has yet to be worked out, and complicating the issue is the hostility between Koor's domestic and foreign creditors.

Before the possibility of an outside buyer arose, the foreign banks, led by Manufacturers Hanover of the US, had rejected a Koor request for hefty write-offs, suggesting that stringent cutbacks, some government assistance, surrender of some equity by the ownership and cuts in interest terms by the various creditors could see the company through.

The Israeli banks, led by Bank Hapoalim, think this is unrealistic.

The possibility that foreign buyers may enter the picture is regarded by these banks as an interesting development. Asked why they should be interested in, effectively, subsidising somebody's cheap acquisition of a group, a senior Israeli banker says: "It's a question of whether the glass is half full or half empty."

# Strong start to year for Laidlaw

**By Bernard Simon in Toronto**

A STRONG performance by waste management operations helped Laidlaw, the Ontario-based waste management and school bus company, to boost earnings by 43 per cent in the first quarter of fiscal 1990.

Net income for the period, ended November, reached US$61.2m or 27 cents a share, from $42.9m or 22 cents a year earlier. The growth in per-share earnings came in spite of a 15 per cent increase in the number of shares outstanding. Revenues rose 21 per cent to $423.9m.

Mr Michael DeGroote, chairman, said strong growth in the waste management business was partly offset by higher labour costs in the group's US school bus operations.

Waste management contributed $42.7m of operating income, with $32.8m coming from passenger services.

Almost a third of earnings came from Laidlaw's 34 per cent interest in Attwoods, the UK-based waste removal company, and from its 29 per cent stake in ADT, the British security group.

Mr DeGroote said the downturn in the North American economy would have a limited impact on Laidlaw. "We're very well entrenched in two non-cyclical businesses."

# Banks extend Pepperell loan

**By Roderick Oram in New York**

MR William Farley, the Chicago investor, is finding it hard to arrange permanent financing for West Point-Pepperell, the big US textiles group he acquired last year for $1.56bn.

In a filing with the Securities and Exchange Commission, the company said its banks had extended a $1.03bn bridge loan to March, possibly to June, in exchange for higher interest rates.

But the company said there was no assurance it could satisfy conditions, such as further assets sales, which the banks had imposed for extending the loan to June.

The banking consortium is led by Wells Fargo and Bankers Trust.

One problem is the company's failure to generate as much money as it had hoped from the sale of its Cluett, Peabody subsidiary, which makes Arrow shirts and men's suits and socks.

It had originally announced the unit's sale to Bidermann for $600m but now believes it will only receive about $520m in cash and notes from the French purchaser.

West Point-Pepperell said it still hoped to find permanent financing to replace the bridge loan, to complete its merger with Mr Farley's holding company and to provide sufficient working capital.

Immediately after he won control of the company after a long and bitter takeover fight, Mr Farley said he could service the debt without selling assets. Analysts who calculated he paid too much for the textile group thought otherwise.

In the six months ended September 24, West Point-Pepperell reported a net loss of $52.2m on sales of $623.6m, against a net profit of $84.4m on $852.8m in the fiscal year ended September 1988.

# Hewlett-Packard in computer launch

**By Louise Kehoe in San Francisco**

HEWLETT-PACKARD, the US electronics group, unveiled 24 new computers yesterday, dramatically expanding its minicomputer range and increasing the performance of its top models by a factor of three to four.

The launch covers new entry-level, mid-range and high-performance models in HP's 3000 and HP9000 product lines.

The new high-end computers are based on HP's recently announced advance in complementary metal-oxide semiconductor (CMOS) chip technology, which crams the functions of the central processing unit on to a single chip and increases processing speed to provide the power of a mainframe computer at lower cost.

Systems incorporating the chip consume less power and therefore require less cooling than competitors' products offering comparable performance. The new products feature HP's precision architecture reduced instruction-set computing (Risc) design and are fully compatible with earlier models.

The Series 980/200, scheduled for delivery at the end of the year, is expected to operate at more than 100 transactions a second – triple the performance of the previous high-end HP 3000 system, the Series 980.

HP said this performance was about the same as a DEC VAX 9000 at two thirds the US price and equivalent to an IBM 3090 mainframe at one third the US price.

The new HP 9000 Model 870S/200 offers up to 95 Mips (million instructions per second) performance, four times faster than the previous high-end HP 9000, the Model 855S.

This represents higher performance than the top of the DEC VAX 6000 line and is equivalent to the performance of the entry-level DEC VAX 9000 mainframe at a fraction of the price.



# Oryx outlines plans for developing N Sea assets

**David Thomas**

ORYX Energy, the biggest US independent oil company, is planning to spend more than $100m a year to develop the North Sea assets it bought from British Petroleum last September.

Oryx paid BP $1.1bn for oil assets in the UK, Indonesia, Ecuador, Gabon and Italy. The North Sea reserves represented 80 per cent of the total.

The acquisition has increased Oryx's proven reserves by 264m barrels of oil equivalent, an addition of about 30 per cent to Oryx's US reserves.

The company, created last year when Sun Oil spun off its US producing properties into a separately listed company, has set up a London office to run its North Sea and Indonesian assets.

Mr Robert Keiser, the newly appointed president of Oryx UK, said yesterday that the UK establishment would increase to 50 people, of whom up to 18 would be dedicated to exploration work.

He estimated that Oryx would spend about $120m this year to develop its North Sea and Indonesian assets, with about $15m of that spent in Indonesia.

Oryx believes its proven reserves in the North Sea will hold roughly constant over the next five years as fields planned for development – such as Alba, Strathspey and Galleon – are brought on stream to replace depleting fields.

Mr Keiser said Oryx would adopt an aggressive profile in the North Sea.

# Paramount tumbles into red in closing quarter

**By Alan Friedman in New York**

PARAMOUNT Communications, the US publishing and entertainment company that last year failed in its takeover bid for Time Inc, has reported a loss of $13.4m or 11 cents a share from continuing operations for the fourth quarter of its financial year ended October. The loss compares with a profit of $79.5m or 66 cents in 1988.

The company said that, overall, fourth-quarter net earnings were $1.23bn, due to a $1.2bn gain from the sale of The Associates, the financial services unit sold last summer.

For the whole of 1989 Paramount's net income – including profits from The Associates – was $1.47bn against $385m. But stripping out the financial services business means that total 1989 net profits on a continuing basis were just $11.5m, down sharply from $152.8m.

Revenues for fiscal 1989, excluding The Associates, were $3.39bn, up from $3.06bn.

● MGM/UA Communications reported a $17m operating income for the first quarter of fiscal 1990. This compares with a $14.3m loss in the year-earlier quarter.

At the net level MGM/UA suffered a loss of $2m or 4 cents a share, a significant recovery from the $39.5m or 78 cent loss in the first quarter of fiscal 1989.

## INTERNATIONAL APPOINTMENTS

# Trelleborg's growth builder is made chairman designate

TRELLEBORG, the Swedish conglomerate with interests in mining, rubber, plastics and chemicals, and whose sales, profits and assets have seen considerable growth in the past few years through an aggressive acquisition strategy, announced changes in its top management to take effect from the end of May.

Mr Ernst Herslow, a Trelleborg director since 1965 and chairman since 1985, will retire at the next annual meeting, to be held on May 30.

Mr Rune Andersson, 44, who spearheaded the company's transformation from a somewhat sleepy industrial concern, will relinquish his posts of president and chief executive officer on the same date and will be proposed as the new chairman. He left Electrolux in May 1983 to join Trelleborg.

Assuming Mr Andersson's present posts on May 31 will be Mr Kjell Nilsson, currently executive vice president and deputy CEO. Mr Fredrik Arp, executive vice president and head of business area rubber and plastics, will take over Mr Nilsson's present positions at the start of 1991.

In addition, Trelleborg's existing business areas will be transformed into companies and change their names.

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EXXON, of the US, the world's largest oil group, appointed Mr Edwin Hess to the newly created position of vice president, environment and safety, effective from January 15, reports AP-DJ from New York.

Ms Sarah Johnson, at Exxon, commented: "We have always had environmental personnel at the corporate level, but we never had one this high" in the corporation.

Environmental problems have plagued Exxon, first with the Exxon Valdez oil spill in Alaska last year, and this month with the spill of oil from a pipeline in the Arthur Kill, off Staten Island, N.Y.

Ms Johnson said these recent environmental concerns contributed to the company's decision to add this new post.

Exxon, in a press release, stated that Mr Hess is now senior vice president of marketing, refining and planning of Exxon International. He will report to Mr Lee Raymond, Exxon Corporation president.

# Armstrong World to restructure its senior management team

ARMSTRONG WORLD, a US-based international manufacturer of floor coverings and other interior furnishings, intends to restructure its senior management team on February 1 to become more cost-effective.

The Canadian Belzberg family, renowned for corporate raids, built up a 9.85 per cent stake of Armstrong common shares in May and June last year and indicated an interest in gaining control of the company. Armstrong has been strengthening the company's position against a predator attack.

The posts at Armstrong of senior executive vice president and vice president and treasurer will be eliminated. Mr Robert Caldwell and Mr C.A. Walker Jr, who hold these posts, will retire.

Mr William Wimer, vice president and controller, will be named senior vice president-finance, and will serve as company treasurer for an indefinite period. He will be Armstrong's chief financial officer.

Mr Larry Pulkrabek, vice president, secretary and general counsel, will be named senior vice president in his current responsibilities.

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HARCOURT Brace Jovanovich, the Florida-based publishing and insurance group, has elected Mr Peter Jovanovich, 40, as president and chief executive officer.

He replaces Mr Ralph Caulo, who has resigned from these posts and as a director of the company with effect from the end of 1989. Mr Caulo decided to leave publishing and enter other ventures in central Florida and Austin-San Antonio.

For the past five years at HBJ, Mr Jovanovich has managed university, medical, scientific and trade publishing.

Mr J. William Brandner, 52, has been appointed vice chairman and chief operating officer. He manages all of HBJ's insurance companies.

# Abitibi-Price names president

ABITIBI-PRICE, the large Canadian pulp and paper group 80 per cent controlled by the Reichmann family of Toronto, appointed Mr Ronald Oberlander president and chief operating officer.

He replaces Mr Bernd K. Koken, who will continue as chairman and chief executive.

Mr Oberlander has been with the Abitibi-Price group of companies since 1967. For the past two years, he has been an executive vice president of Abitibi-Price responsible for the sector Diversified Group.

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NOVO NORDISK, of Denmark, one of the world's leading biotechnology companies, announced that Mr Niels Holm, senior executive vice president, has decided to resign on March 1.

Mr Holm became Novo's chief operating officer in 1985, but subsequent to the Novo Nordisk merger in 1989 a new management structure was implemented and the post of COO was abandoned.

He assumed other responsibilities, but feels that the objectives associated with these new activities have now been largely accomplished.

● Novo Nordisk is to ask Mr Jan Leschly, former president and chief operating officer of the US Squibb pharmaceuticals group (now merged with Bristol-Myers), to join Novo as an outside non-executive director.

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PNC Financial, third-largest US bank in terms of market capitalisation, said that Mr Robert Milsom, vice chairman of the company and chairman and chief executive of its Pittsburgh National Bank subsidiary, retired on December 31.

Mr James Rohr, 41, formerly Pittsburgh National president, was elected to succeed Mr Milsom in all three posts.

Mr Joe Irwin, 53, and Mr A. William Schenck III, 46, previously executive vice presidents at Pittsburgh National, were promoted to president and vice chairman respectively.

# Braniff appoints chief executive

BRANIFF, the US airline under Chapter 11 bankruptcy protection from creditors, named Mr David Murchison chief executive officer.

He had been vice president, general counsel and secretary of the company until November 17 last year.

Mr William McGee, the previous chief executive, relinquished the post last month. He also resigned as president, but retained his title of chairman. The position of president remains vacant.

Mr Murchison's appointment was approved by the US Bankruptcy Court. The appointment was requested by Braniff and supported by both the official noteholders committee and the official committee of unsecured creditors to restore confidence in the reorganisational effort and to bring new direction to the management of Braniff.

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AUSIMONT NV, the Wall Street quoted specialty chemicals subsidiary of Italy's Montedison-Ferruzzi group, said that Mr Howard Harris has resigned as president with effect from the end of last year.

Mr Harris, having completed his restructuring of Ausimont, stepped down in agreement with the company. Mr Carlo Cogliati will be proposed for election as president.

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CBS, the US radio and television broadcasting group, stated that Mr Kim LeMasters resigned as president of the entertainment division to create programmes on his own.

# New chairman for European Aluminium Assn

**By Kenneth Gooding, Mining Correspondent**

MR JOCHEN Schirner, chairman of the board of VAW, of West Germany, is the new chairman of the European Aluminium Association in succession to Mr Theodor Tschopp, head of the aluminium division of Alusuisse, of Switzerland.

Mr Dag Flaa, president of Hydro Aluminium, of Norway, has been elected vice chairman. Both he and Mr Schirner will serve for two years.

Mr Francois Oostland has retired as the association's secretary general. He is succeeded by Mr Hansgeorg Seebauer, a former VAW board member.

## INTERNATIONAL COMPANIES AND FINANCE

# BHP evaluates sale of Woodside

**By Bruce Jacques in Sydney**

BHP, Australia's largest company, has said that it was considering substantially withdrawing from the nation's largest resource project, the A$15bn (US$11.8bn) North West Shelf gas and liquids complex, off the West Australian coast.

Mr Peter Willcox, the chief executive of BHP Petroleum, said yesterday the company was evaluating the options for the sale of its direct and indirect investment in Woodside Petroleum, the Australian quoted company with interests ranging up to 50 per cent of the complicated Shelf structure.

BHP controls just over 40 per cent of Woodside. Of this, 34.3 per cent is held directly and the balance through a half-share in North West Shelf Development. The other half is owned by the Shell group which has some pre-emptive rights over BHP's interest.

At yesterday's closing price of A$3.32 for Woodside shares, the stake which BHP is considering selling would be worth more than A$880m.

Mr Kevan Gosper, Shell chairman, was non-committal yesterday as to whether his company would exercise its rights, saying Shell reserved its position pending the outcome of BHP's deliberations.

He said any sale would not have an effect on Shell's existing interest in the Shelf project, where it is a major direct participant with BP and Chevron.

Mr Bill Rogers, chairman of Woodside Petroleum, who is also a BHP director, said he had so far received no expressions of interest for the Woodside shares, but it was highly likely that several companies would be involved.

He said he believed the reason for BHP's interest in selling was Woodside's tax and loan burden which meant a "relatively low return for the size of BHP's investment."

Mr Willcox added that BHP had achieved what it set out to do when it first invested in Woodside in 1976.

"The North West Shelf project is now up and running. Following the successful delivery of the first shipment of LNG from the project to Japan, it is now appropriate to review our investment in Woodside."

BHP will retain its own direct interests in the Shelf project, which include 8.3 per cent of the domestic gas phase and 16.6 per cent of the liquefied natural gas phase. Recent oil strikes on the Shelf probably mean it will replace Bass Strait as Australia's major domestic oil source during the 1990's.

It is understood that BHP would prefer the bulk of its holding to go to a local buyer, but the very size of the purchase would rule out most.

Any increase in foreign equity on the Shelf could cause problems with the Australian Government because the project has been criticised over both its overseas shareholding and the high proportion of contracts which were let overseas.

# Interest payments stopped by Homey

**Peter Wickenden in Taipei**

THE Homey Group, Taiwan's biggest unlicensed investment house, yesterday announced it would stop all interest payments and withdrawals until March 10, fuelling rumours that it was close to bankruptcy.

The future of the firm, which at one time claimed to have absorbed more than US$7.6bn in deposits from several hundred thousand investors, has been in doubt since the Government passed a revised banking law last July.

It had been paying interest at 4 per cent per month and was said to have been a major force behind Taiwan's soaring stocks and property prices. The group, which runs a chain of department stores, has about $387m invested in the stock market.

The Government originally vowed to crack down on the island's huge underground investment industry, but it climbed down rapidly, giving Homey time to turn into a legal institution when a stock market collapse and a severe shock to the entire economy looked likely.

Homey suspended deposit-taking and froze withdrawals, but continued to pay interest at 4 per cent. Although it still has no licence, it recently resumed deposit-taking, saying it was merely collecting funds from "shareholders."

The Taiwan stock market index dropped 159 points on Tuesday, after Homey announced a second cut in its interest rate from 2 per cent to 1.4 per cent. Mr Wu Yung Ming, the firm's president, told a press conference that the firm was not in difficulty and the market saw a moderate rise yesterday.

Meanwhile, about 400 investors in the Fortune Group, Taiwan's second biggest underground investment firm, jostled with riot police outside the ruling Kuomintang Party's headquarters in Taipei yesterday.

Protesters criticised the Government's handling of the continued crackdown on the industry, claiming it was not doing enough to protect investors' rights.

Premier Lee Huan said at a regular KMT meeting yesterday that the crackdown had been successful, because no illegal institutions had started up since unlicensed deposit-taking was outlawed last July.

# Early December offer to Bond

**By Bruce Jacques**

MR JEFF Reynolds, 24, the Texan businessman, had personally proposed a takeover of Bond Corporation to Mr Alan Bond as early as December 18 last year, the Victorian Supreme Court was told yesterday. Mr Graeme Willis, an executive of National Australia Bank, under his fourth day of cross-examination, confirmed his knowledge of a telephone offer made to Mr Bond by Mr Reynolds.

The offer was mooted at 40 cents a share for all of Bond Corporation through Mr Reynold's company, California Pacific International. Mr Reynolds has since intrigued markets with talk of a A$250m (US$196.9m) cash injection into Bond and a A$4bn debt refinancing. He is due in Australia next week to formalise his offer.

Mr Peter O'Callaghan, counsel for the Bond Brewing receivers, told the court the receivers had decided to honour all Bond Brewery cheques, except one drawn on an account with insufficient funds. This countered a suggestion made on Tuesday by Mr Allan Myers, for Bond Brewing, that the receivers had stopped all payments.

The receivers were appointed on December 29 at the request of a National Australia Bank-led syndicate and the court is hearing an application by the Bond group to have the appointment overturned.

Alan Bond: awaiting court decision late next week

Mr O'Callaghan said the receivers considered any failure to honour cheques could damage the Bond Brewing companies which were already losing market share. He said it had also been decided that surplus funds should not be banked with members of the National Bank syndicate and had been deposited with Westpac.

One immediate effect of the decision to honour cheques was to allow repayment of A$280m worth of zero coupon securities in the US. But the repayment concerned a facility attached to the National Bank syndicate's original A$880m loan. It did not affect the missed interest payment of A$41m on US$510m worth of notes held by US investors which has been frozen by the receivers. The US investors have demanded immediate repayment of the debt.

The court was told that the receivers, Messrs Crawford and Fear of KPMG Peat Marwick Hungerfords, were likely to be called to give evidence today and/or tomorrow. Mr Justice Beach indicated he could hand down a decision in the case by late next week.

● Westmex, the diversified stationery and shoe investor, has announced a virtual voluntary liquidation after a stock market run on its shares.

Mr Russell Goward, chief executive, said all Westmex assets were effectively on the market because of the need to stop Press speculation and avoid further deterioration in the business. Despite continuing pledges of bank support, Westmex shares have fallen 80 per cent since October.

Mr Goward said the sale programme would continue "until such time as sufficient assets are sold to to reduce debt to a level which restores confidence in, and long-term stability to, the Westmex group." He also announced personal asset sales to raise funds to invest in Westmex.

He admitted Westmex reserves had recently been depleted by A$29.5m in debt repayment, by A$40m to fund a pre-Christmas stock build-up and by A$25m in capital lost through liquidity rumours prompting suppliers to withdraw usual payment terms.

# Contrasts in gold mine results

**By Jim Jones in Johannesburg**

SIMILAR operating strategies have produced vastly different financial results at Consolidated Modderfontein and South Roodepoort, the two small gold mines operated by the Golden Dumps group.

Both mines reduced ore production as a means of cutting labour forces and curbing costs.

But Cons Modder recorded a sharp increase in the gold recovery grade and operating profit, while South Roodepoort fell into the red after lifting its grade only fractionally.

**SOUTH AFRICAN GOLD MINE RESULTS**

| | Gold produced kg | | After-tax profit R m | | Earnings/share cents | |
|---|---|---|---|---|---|---|
| | Dec 89 | Sep 89 | Dec 89 | Sep 89 | Dec 89 | Sep '89 |
| Cons Modder | 724 | 591 | 5.53 | 0.39 | 15.9 | 1.1 |
| South Rood' | 264 | 302 | (0.31) | 0.45 | (1.6) | 2.1 |

Earnings are calculated after capital expenditure. Figures in parentheses are negative.

Both mines are conserving cash flow by curbing capital spending on new mining assets and analysts warn that catch-up spending is likely when higher gold prices boost operating revenues.

Neither mine has declared a dividend and Cons Modder, which was forced to borrow heavily in 1988 and 1989, has to repay more than R38m ($14.9m) of debt before it can consider resuming dividend payments.

The mine's hopes are pinned on establishing operations in the comparatively rich but sporadic Black Reef.

# Downturn at Furama Hotel

FURAMA Hotel Enterprises saw after-tax profit fall to HK$48m (US$6.16m) in the six months ended September 30 from HK$49mm a year earlier, reflecting the colony's tourism slowdown in the wake of the June 4 crackdown in China, AP-DJ reports.

The Hong Kong hotel operator said per-share earnings fell to 25.9 cents from 36.7 cents, while turnover dipped to HK$152m from HK$154m.

Mr Fu Yum Chiu, Furama's chairman, attributed the downturn to a 6 per cent fall in room revenue. Occupancy levels are down some 20 percentage points from a year ago at the group's downtown Hong Kong hotel.

## INTERNATIONAL CAPITAL MARKETS

# Norwegian bank loss estimates increased

By Karen Fossli in Oslo

COMBINED losses on loans and guarantees for 1989 by Norwegian commercial banks have been re-estimated at NKr6.2bn ($954m) by the Norwegian Banking Association – above previous estimates from the Banking, Security and Exchange Commission.

The latest calculation is of the same level as losses experienced in the previous year, but taking into account estimates of losses for savings banks, the figure for Norway's entire banking sector reaches nearly NKr9bn.

The Banking, Security and Exchange Commission had calculated that losses would reach about NKr5.8bn on a group basis, or NKr4.5bn on a parent-bank basis, based on figures supplied last August by the commercial banks.

A turnround in Norway's three-year banking crisis was expected during last year, but hopes were dashed by steady increases in commercial and personal bank bankruptcies. Last year the number of these officially hit 3,494 – an 81 per cent increase over the previous year – but the actual rate is more like 12,000.

The bank association's estimates represent an increase of NKr200m to NKr6.2bn in losses on loans and guarantees for the banks on a group basis and an increase of NKr600m to NKr5.1bn in losses on the same by parent banks.

The Savings Banks Association is compiling figures on the combined loss estimate for its member banks, which is expected to exceed an earlier forecast of NKr3.7bn.

There are two main reasons for the losses experienced by the banks: the drop in world crude oil prices to below $10 a barrel in 1986 caused problems with Norway's oil-driven economy, and these came hot on the heels of the difficulties the previous year when the banking sector was deregulated, prompting rapid expansion and less than prudent lending practices.

# Property group in placement to raise S$163m

DBS LAND, a Singapore property company, is proposing a private placement of 58m new shares at S$2.80 to bring in S$162.4m, AP-DJ reports from Singapore.

Funds will be used to finance recent acquisitions. Last month the company bought the Standard Chartered Bank building in Singapore for S$300m.

Development Bank of Singapore, its parent, will procure subscriptions for the shares, a statement said. The share placement will increase issued capital by 9.8 per cent to 644.4m units.

DBS Land shares finished at S$12.30 on the Singapore bourse yesterday, up 40 cents.



# New issues well received but underlying tone dull

By Andrew Freeman

EUROBOND MARKETS were in solid form yesterday, with some new issues experiencing good receptions. However, the underlying tone remained lacklustre as syndicate officials struggled to convince investors that bonds were good value.

The Union Bank of Switzerland Finance $225m 12-year issue was launched by UBS Phillips & Drew, as expected. The bonds were priced at 100⅛ with a 9⅛ per cent coupon to yield some 85 basis points over the 10-year US Treasury, the lower end of the indicated range.

### INTERNATIONAL BONDS

Despite its unfashionable maturity, the deal was very successful, meeting strong interest in Switzerland, the UK and the rest of Europe. The paper was trading at 100.83 bid after the syndicate was freed from the fixed reoffer level, a premium implying a spread against Treasuries of 81 basis points.

Comment from syndicate officials was positive on the pricing and placement, although some expressed reservations about the way UBS P&D handled the reoffered method of underwriting. An official said it was policy to hold the syndicate together until all the bonds were sold.

Proceeds were unswapped, leading to speculation that UBS may have borrowed the funds to lend them directly to another entity. Traders suggested that otherwise the bank could have raised funds more competitively.

Swiss banks were active, with Credit Suisse First Boston bringing a $500m zero coupon issue for Credit Suisse Finance. The 10-year paper was priced at 38.55, and was quickly trading at less 1¼ bid, inside full underwriting fees of 1½ per cent.

Institutional funds were the mainstay of firm demand. German and some other European funds were not obvious buyers because of their worries about the currency risk of the US and Canadian dollars.

A clutch of retail-targeted deals were all trading around fees. San Paolo brought the year's first lira deal, a L100bn three-year issue for Johnson & Johnson, to a steady reception. Deutsche Bank Capital Markets' deal for GMAC Australia dipped briefly outside its fees, but recovered to trade on fees at less 1½ bid.

Nomura brought a $100m convertible issue for Daiwa Bank to a reception that was respectable, given the recent weakness of the Japanese stock market. The bonds offered an indicated coupon of 3½ to 4 per cent over a five year maturity, sufficient to inspire reasonable demand.

The bonds were trading at 98½ bid, a point inside full fees.

In Switzerland, prices were a touch firmer, although sentiment remained poor. UBS brought a SFr100m 10-year deal for Scandinavian Airlines System.

The callable bonds offered a 7 per cent coupon and were priced at 100¾, leading to mixed opinions on their attractiveness. All leading banks joined the deal.

## NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | |
| UBS Finance(a)♦ | 225 | 9⅛ | 100⅛ | 2002 | ⅛ | UBS Phillips & Drew |
| Daiwa Bank§ | 100 | (3½–4) | 100 | 1995 | 2½/1½ | Nomura Int. |
| **CANADIAN DOLLARS** | | | | | | |
| Credit Suisse Finance(a)♦ | 500 | Zero | 38.55 | 2000 | 1½/1 | CSFB |
| **AUSTRALIAN DOLLARS** | | | | | | |
| GMAC Australia(Finance)(a)♦ | 75 | 15¼ | 101¾ | 1993 | 1½/1 | Deutsche Bank Cap.Mkts |
| **NEW ZEALAND DOLLARS** | | | | | | |
| Telecom Corp. N.Zealand(a)♦ | 50 | 14 | 102 | 1993 | 1½/1 | Fay, Richwhite |
| **LIRE** | | | | | | |
| Johnson & Johnson(a)♦ | 100bn | 12⅞ | 101.45 | 1993 | 1⅛/⅞ | San Paolo Bank |
| **SWISS FRANCS** | | | | | | |
| Daiwa Bank(b)★★§ | 150 | (¼) | 100 | 1995 | 1⅝ | SBC |
| Scand.Airlines System(c)♦ | 100 | 7 | 100¾ | 2000 | n/a | UBS |
| Kyushu Leasing Service(d)★★§ | 75 | ¼ | 100 | 1994 | 1½ | Nikko (Switzerland)/BSI |
| Misawa Van Corp.(e)★★§ | 80 | ¼ | 100 | 1994 | 1½ | Credit Suisse |
| **YEN** | | | | | | |
| CIBC(f)♦ | 5bn | 8 | 101⅛ | 1992 | 1⅛/⅝ | Bankers Trust Int. |

★With equity warrants. §Convertible. ♦Final terms. a) Non-callable. b) Put option 31/3/92 indicated at 107 to yield 3.3748%. c) Call after five years at 103, declining ¼% p.a. d) Put option 31/3/92 at 106⅞ to yield 3.136%. e) Put option 31/12/92 at 109 to yield 3.239%. f) Redemption linked to Nikkei stock index.

## FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 10

| US DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Alberta 8⅞ 96 | 750 | 99⅝ | 99⅞ | +0⅛ | -0⅛ | 8.67 |
| Alberta 9⅞ 95 | 600 | 103⅛ | 103½ | 0 | -0⅛ | 8.62 |
| Austria 9⅞ 93 | 140 | 102⅝ | 103⅛ | 0 | -0⅛ | 8.53 |
| B.F.C.E. 8⅝ 94 | 175 | 99¼ | 99⅝ | 0 | -0⅛ | 8.52 |
| B.F.C.E. 9¼ 95 | 150 | 102½ | 103 | 0 | -0¼ | 8.62 |
| Brit. Tel. Fin. 9⅝ 96 | 250 | 103¼ | 103¾ | +0⅛ | 0 | 8.78 |
| Canada 9 96 | 1000 | 102⅝ | 103⅛ | +0⅛ | -0⅛ | 8.35 |
| C.C.C.E 9¼ 95 | 300 | 102⅝ | 103 | +0⅛ | 0 | 8.55 |
| C.N.C.A 9¾ 93 | 150 | †101½ | 102 | 0 | -0⅛ | 8.78 |
| Credit National 8¼ 93 | 200 | †99¼ | 99⅝ | 0 | -0⅛ | 8.45 |
| Credit National 7⅞ 92 | 100 | 97¼ | 97⅝ | 0 | -0⅛ | 8.59 |
| Credit National 9⅝ 92 | 160 | †102⅛ | 102⅝ | 0 | -0⅛ | 8.51 |
| Dai-Ichi Kan 9⅞ 92 | 150 | 102⅞ | 102⅝ | -0⅛ | -0⅛ | 8.67 |
| Denmark 8½ 94 | 150 | †98⅛ | 98⅝ | 0 | 0 | 8.67 |
| E.E.C. 7 91 | 100 | 97¼ | 97¾ | 0 | 0 | 8.47 |
| E.E.C. 10 93 | 140 | †103⅝ | 104 | 0 | -0⅛ | 8.59 |
| E.I.B. 8⅝ 99 | 150 | 98⅝ | 99 | +0⅛ | -0⅛ | 8.67 |
| Eurofima 10⅛ 93 | 100 | †104¼ | 104⅝ | 0 | -0⅛ | 8.48 |
| Elec. De France 9 98 | 200 | 101⅞ | 102⅜ | +0⅛ | -0⅛ | 8.66 |
| Elec. De France 9⅞ 99 | 200 | †104⅛ | 104⅝ | 0 | -0⅛ | 8.80 |
| Finland 9 96 | 250 | 101⅜ | 101⅞ | 0 | -0⅛ | 8.64 |
| Finn.Exp.Cd. 8⅞ 92 | 200 | 99⅝ | 100⅛ | 0 | 0 | 8.53 |
| Finn. Exp. Cd. 9⅞ 95 | 200 | 102⅞ | 103⅛ | 0 | -0⅛ | 8.68 |
| Ford Motor Credit 8 91 | 250 | †98¾ | 99¼ | 0 | -0⅛ | 8.86 |
| Gen.Elec.Cap.Corp. 9 93 | 500 | †101½ | 102 | 0 | -0⅛ | 8.44 |
| Gen.Elec.Cap.Crp.10 1/2 91 | 300 | 101⅝ | 102⅛ | 0 | -0⅛ | 8.71 |
| G.M.A.C. 8⅞ 96 | 500 | †98¾ | 99¼ | 0 | -0⅛ | 9.00 |
| G.M.A.C. 9 96 | 300 | 99¾ | 100¼ | 0 | -0⅛ | 8.98 |
| Gen. Mtrs. Corp. 9⅛ 92 | 200 | 101 | 101½ | 0 | -0⅛ | 8.51 |
| IBM Credit Corp. 8⅝ 92 | 400 | 100⅛ | 100½ | 0 | -0⅛ | 8.50 |
| IBM Credit Corp. 8⅞ 91 | 250 | 100⅛ | 100⅝ | 0 | -0⅛ | 8.60 |
| IBM Credit Corp. 9 92 | 250 | 101 | 101½ | 0 | -0⅛ | 8.39 |
| IBM Credit Corp. 9⅛ 92 | 250 | 101½ | 102 | +0⅛ | 0 | 8.54 |
| Italy 8½ 94 | 1500 | 99½ | 99⅞ | 0 | -0⅛ | 8.55 |
| Italy 9½ 95 | 1000 | 103⅝ | 104⅛ | 0 | -0⅛ | 8.62 |
| Italy 9⅝ 99 | 1000 | 104⅞ | 105¼ | 0 | -0⅛ | 8.78 |
| Itoh C. W/W 4⅝ 94 | 1000 | 111⅞ | 112⅞ | -2⅜ | -7⅞ | 1.71 |
| Japan Dev. Bank 10 96 | 200 | 105¾ | 106⅛ | 0 | -0⅛ | 8.71 |
| KFW Intl. Fin. 9 94 | 300 | †101¼ | 101¾ | +0⅛ | -0⅛ | 8.58 |
| L.T.C.B of Japan 9⅛ 92 | 200 | 101¼ | 101½ | +0⅛ | 0 | 8.71 |
| Nippon Tel.&Tel. 9⅝ 95 | 250 | 103¼ | 103⅝ | 0 | -0⅛ | 8.81 |
| Norway 8⅞ 93 | 500 | 100⅝ | 101⅛ | 0 | -0⅛ | 8.40 |
| Portugal 8¼ 91 | 300 | †98⅞ | 99⅜ | 0 | 0 | 9.00 |
| Sumitomo Corp. W/W 4 93 | 1500 | †122¼ | 123¼ | -0⅛ | -8⅛ | -2.24 |
| Sweden 8¾ 96 | 200 | 100⅝ | 101 | +0⅛ | -0⅛ | 8.55 |
| Toyota 9½ 91 | 200 | 101¼ | 101¾ | 0 | -0⅛ | 8.62 |
| Toyota Mtr.Corp. W/W 4 93 | 1500 | 104⅝ | 105⅝ | -0¼ | -0⅞ | 2.41 |
| Victorian Rep 11⅝ 92 | 150 | 105 | 105½ | 0 | -0⅛ | 8.95 |
| World Bank 8⅜ 99 | 1500 | 100 | 100¼ | +0⅛ | -0⅛ | 8.49 |
| World Bank 9 97 | 300 | 101⅝ | 102⅛ | +0⅛ | -0⅛ | 8.64 |
| World Bank 9 93 | 300 | 101½ | 101⅞ | 0 | -0⅛ | 8.41 |
| World Bank 9¼ 98 | 300 | 103⅛ | 103½ | +0⅛ | -0⅛ | 8.70 |
| World Bank 9⅝ 99 | 500 | 105⅜ | 105¾ | 0 | -0⅞ | 8.70 |
| World Bank 9¾ 96 | 300 | †105 | 105¼ | 0 | -0⅛ | 8.65 |

Average price change... On day -0⅛ on week -1⅛

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Asian Dev. BK. 6 94 | 200 | 90⅞ | 91½ | +0⅛ | -1 | 8.22 |
| Austria 6¼ 99 | 750 | 91⅞ | 92½ | +0⅛ | -0⅛ | 7.96 |
| Bk.Frgn.Econ.USSR 7 96 | 750 | †91½ | 92½ | -0½ | -0⅛ | 8.71 |
| Bank of Tokyo 5¾ 93 | 100 | 93¼ | 93¾ | 0 | +0½ | 8.18 |
| Commerzbank o/s. 5⅜ 95 | 300 | 94 | 94½ | 0 | +0⅜ | 7.59 |
| Credit Foncier 6¾ 99 | 500 | 91⅞ | 92⅛ | 0 | -0⅜ | 9.06 |
| E.I.B. 6¼ 99 | 600 | 88⅝ | 89⅛ | 0 | -1⅛ | 8.04 |
| E.I.B. 6½ 99 | 300 | 94⅜ | 95⅛ | 0 | -0⅜ | 7.30 |
| E.I.B. 6⅝ 96 | 600 | 94⅞ | 95⅜ | 0 | 0 | 7.65 |
| E.I.B. 6⅞ 95 | 300 | 96⅝ | 97⅛ | -0¼ | -0⅜ | 7.52 |
| Euro.Coal& Steel 5⅞ 97 | 175 | 88⅝ | 89¼ | -0¼ | -0⅜ | 7.98 |
| Eurofima 6¼ 96 | 100 | 92⅞ | 93 | +0⅛ | -0⅞ | 7.73 |
| Elec De France 5¾ 97 | 300 | 89⅝ | 90⅛ | -0¼ | -0⅛ | 7.60 |
| Hydro–Quebec 6¾ 99 | 300 | 91⅞ | 92½ | +0⅛ | +0⅛ | 7.98 |
| Japan Dev. Bk. 5⅜ 95 | 300 | 88⅝ | 89⅛ | -0¼ | -1⅛ | 8.06 |
| Japan Finance 5¾ 97 | 100 | 87⅞ | 88⅛ | 0 | -0⅛ | 8.08 |
| I.A.D.B. 7¼ 99 | 300 | 94⅝ | 95⅛ | 0 | -0⅜ | 8.03 |
| Ireland 6½ 97 | 300 | 91¼ | 91¾ | +0½ | -0½ | 8.08 |
| Ireland 7¼ 99 | 500 | 94½ | 95 | +0⅛ | -0⅛ | 8.07 |
| Malaysia 6¼ 94 | 150 | 94⅛ | 94⅞ | +0½ | +1 | 7.73 |
| Nat. West BK. PLC 6 98 | 300 | 87⅝ | 88⅜ | +0⅛ | +0⅛ | 8.03 |
| N.H.L. Finance 6¼ 95 | 200 | †88¾ | 89¼ | +0½ | -1½ | 8.73 |
| Nippon Telg.&Tel. 6 95 | 400 | 92⅝ | 93⅜ | -0¼ | -1 | 6.58 |
| Oesters. Kontbk. 5 93 | 300 | 91¾ | 92½ | -0¼ | 0 | 8.00 |
| Portugal 5¾ 92 | 150 | 94⅞ | 95⅜ | +0¼ | +0½ | 7.85 |
| Portugal 6⅝ 95 | 150 | 93⅝ | 94⅛ | +0¼ | +0⅛ | 7.99 |
| Privatbanken 5¼ 93 | 150 | 91⅞ | 92½ | +0¼ | +0⅝ | 8.14 |
| Royal Insurance 5½ 92 | 300 | 93¼ | 94¼ | -1¼ | -1 | 8.52 |
| Turkey 6½ 95 | 500 | 90⅜ | 91⅛ | 0 | 0 | 8.73 |
| Union Bk.Finland 5½ 94 | 200 | 90⅝ | 91⅜ | +0¼ | +0½ | 8.21 |
| World Bank 6 98 | 500 | 87¼ | 87¾ | -0⅛ | -0⅛ | 8.03 |
| World BK. 6¼ 97 | 600 | 90⅞ | 91½ | +0⅛ | -0⅝ | 8.67 |
| World Bank 6¾ 99 | 600 | 92 | 92⅜ | 0 | 0 | 7.95 |

Average price change... On day 0 on week -0⅜

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| African Dev.Bk. 5 96 | 150 | †85¾ | 86¼ | +0⅞ | +0¼ | 7.80 |
| Asfinag 5 03 | 100 | †81½ | 82½ | 0 | -0⅛ | 7.10 |
| B.F.C.E. 4½ 98 | 200 | †83¾ | 84¼ | -0¼ | -1½ | 7.06 |
| B.M.W.Fin.Neth. 5 13 | 150 | †81½ | 82½ | -1 | +2¼ | 6.52 |
| Britannia B/S. 4¼ 94 | 100 | †85 | 86 | -1 | -2¾ | 8.29 |
| CIR. Int. W/W 3 93 | 125 | †85½ | 86 | 0 | -1½ | 7.77 |
| Credit Lyonnais 4¾ 00 | 100 | †82 | 82½ | -0¼ | -0¼ | 7.24 |
| E.I.B 4⅝ 98 | 150 | †84 | 84¼ | +0⅛ | -0⅞ | 7.19 |
| Finn. Exp. Cd. 8¼ 92 | 75 | †99½ | 100 | -0⅜ | -0⅛ | 8.33 |
| Fletcher Chall. 4⅞ 98 | 150 | †76 | 78 | -0⅞ | -2 | 8.93 |
| I.A.D.B. 6 2004 | 200 | †92¾ | 93 | -0⅛ | -2 | 6 78 |
| Kobe City 4⅝ 98 | 150 | †83½ | 84¼ | -0⅛ | -1⅛ | 7.23 |
| Leeds Perm. B/S. 4⅛ 93 | 200 | †87⅛ | 88 | -0¼ | -0⅛ | 8.58 |
| Malaysia 5¼ 98 | 100 | †79 | 80 | -0¼ | -0¼ | 8.76 |
| Maxwell Comm.Crp. 5 95 | 150 | †82¾ | 83 | 0 | -0½ | 9.12 |
| Nat. Bk. Hungary 5½ 94 | 75 | †88 | 90 | 0 | 0 | 8.30 |
| Nationwide Ang.B/S. 4 93 | 200 | †89 | 91 | +0⅞ | +0¾ | 7.39 |
| Prov. Newfoundland 5 03 | 150 | †81 | 82 | 0 | -0¼ | 7.14 |
| Thailand 4⅞ 95 | 200 | †82 | 82¼ | -0⅜ | +0⅝ | 8.86 |
| World Bank 5 03 | 150 | †83½ | 84½ | +0¼ | -0⅜ | 6.84 |

Average price change... On day -0⅛ on week -0½

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Canada 6¼ 91 | 80 | 99¼ | 99½ | 0 | -0¼ | 6.70 |
| Canada 5¼ 93 | 80 | 97¼ | 97¾ | -0⅛ | -1 | 6.55 |
| Eurofima 5 1995 | 20 | 93¼ | 93½ | 0 | -1¼ | 6.55 |
| E.I.B. 4⅞ 93 | 30 | 95¼ | 95¾ | -0¼ | -0⅞ | 6.59 |
| Ireland 5⅛ 93 | 30 | 94¼ | 94¾ | -0¼ | -1⅛ | 7.04 |
| Norway 5⅛ 95 | 50 | 94⅜ | 94⅝ | 0 | -1¼ | 6.39 |
| Sweden 4⅝ 93 | 50 | 94¼ | 94⅝ | -0⅛ | -0⅞ | 6.54 |
| World Bank 5¼ 98 | 10 | – | – | – | – | – |
| World Bank 7 94 | 20 | 101¾ | 101⅞ | -0⅛ | -0⅞ | 6.54 |

Average price change... On day 0 on week -0⅞

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Abbey Nat. 10¼ 94 C$ | 150 | 96⅛ | 96⅜ | +0⅛ | -0¼ | 11.19 |
| Abbey Nat. 11⅝ 93 £ | 100 | 95¼ | 95⅞ | -0¼ | -1 | 13.44 |
| Aegon 7¼ 92 FL | 100 | 99¼ | 99¾ | 0 | -1⅛ | 7.94 |
| Alg. Bk. Ned. 5¼ 93 FL | 200 | 93 | 93⅛ | 0 | +0⅜ | 8.24 |
| Austria 7½ 94 ECU | 100 | 92⅛ | 92⅝ | +0⅛ | -1¼ | 9.78 |
| Barclays Aus.13½ 91 A$ | 100 | 97⅞ | 98¼ | -0¼ | -1⅛ | 14.76 |
| Belgium 8¼ 94 Ecu | 150 | 93¼ | 93¾ | +0⅛ | -1⅞ | 10.11 |
| Bell Canada 10⅞ 04 C$ | 200 | 100⅞ | 101⅜ | +0⅛ | -0⅜ | 10.72 |
| BP Capital 9¾ 93 £ | 100 | 91¼ | 91⅞ | -0⅛ | -0⅜ | 13.08 |
| British Airways 10 98 £ | 100 | 88 | 88½ | 0 | -1¼ | 12.35 |
| Brit. Telecom 9½ 93 £ | 150 | 91⅛ | 91⅝ | -0⅛ | -0⅜ | 12.96 |
| Comm.Bk.Aust. 12⅝ 93A$ | 100 | †93¾ | 94¼ | -0⅜ | -0¼ | 14.94 |
| Comm.Bk.Aus.13⅞ 94 NZ$ | 60 | 103⅞ | 104⅜ | -0⅛ | -0⅛ | 12.57 |
| Credit Foncier 9 96 Ecu | 100 | 96 | 96½ | 0 | -2⅛ | 9.78 |
| Cr.Local France 9¼ 92Ecu | 100 | 98⅛ | 98⅝ | +0⅛ | -0⅞ | 9.98 |
| Deut.Bk.Aus. 13⅞ 93 A$ | 125 | 99 | 99½ | 0 | +0¼ | 13.65 |
| Deutsche Bk.Fin. 15 94 A$ | 100 | 103⅞ | 104 | -0⅛ | -0¼ | 13.76 |
| Elec.De France 9¾ 99C$ | 150 | 94⅜ | 94¾ | 0 | -1 | 10.67 |
| E.I.B. 7 96 LFr | 100 | †94¼ | 95¼ | 0 | +0¼ | 8.07 |
| E.I.B. 7⅛ 97 FL | 150 | 92¼ | 92¾ | -0⅛ | -1⅛ | 8.27 |
| E.I.B. 9 99 Ecu | 150 | 96½ | 97⅛ | +0⅛ | -2⅛ | 9.53 |
| Eurofima 7⅝ 94 Ecu | 100 | 92⅝ | 93⅛ | +0⅛ | -2⅛ | 9.84 |
| Export Dv.Crp.8¾ 92Ecu | 100 | 96⅞ | 97¼ | +0⅛ | -1⅞ | 10.17 |
| Fed.Bus.Dv.Bk. 9 94 Ecu | 100 | 96⅛ | 96⅝ | 0 | -1⅞ | 9.98 |
| Fed.Bus.Dv.Bk 9⅞ 92 C$ | 75 | †97 | 97½ | +0⅛ | 0 | 11.06 |
| Ferrv. Stato 7⅛ 93 Ecu | 100 | 92⅜ | 92⅞ | +0⅛ | -1⅛ | 10.40 |
| Ford Cr.Can.10⅞ 93 C$ | 100 | †98¾ | 99¼ | +0⅛ | 0 | 11.13 |
| Ford Cred.Can.10⅞ 96C$ | 125 | 98¼ | 98⅞ | +0⅛ | -0⅛ | 11.09 |
| Ford Cred.Fund.10⅞ 93£ | 60 | 93⅜ | 94⅛ | 0 | -0⅛ | 12.80 |
| G.M.A.C.Canada 11 3/4 94C$ | 100 | 101½ | 102 | +0⅛ | -0⅜ | 11.17 |
| Heineken 7⅛ 94 FL | 150 | 99⅛ | 99⅝ | -0⅛ | -0⅝ | 7.62 |
| Hydro–Quebec 11 99 C$ | 400 | 101 | 101¼ | +0⅛ | -0⅜ | 10.79 |
| Lloyds Bank 10⅛ 98 £ | 150 | 89⅛ | 89⅝ | -0⅛ | -0⅝ | 12.37 |
| Lloyds Bank 11⅛ 98 £ | 100 | 92½ | 93⅛ | 0 | -0⅛ | 12.75 |
| Montreal Tst.10⅞ 93 C$ | 100 | †97⅞ | 98⅜ | +0⅛ | 0 | 11.38 |
| Nat. Aus. Bk. 14¾ 94A$ | 100 | 100⅛ | 100⅝ | -0⅛ | +0⅛ | 14.59 |
| New Zealand 9½ 93 £ | 100 | 90⅝ | 91⅛ | -0⅛ | -0⅜ | 13.03 |
| O.E.K.B. 10⅛ 99 C$ | 150 | 97 | 97½ | +0⅛ | -1⅛ | 10.70 |
| Royal Bk.Scot.10⅝ 98 £ | 125 | 91 | 91½ | -0⅛ | -0⅞ | 12.41 |
| Saskatchewan 10⅛ 93 C$ | 200 | 97⅛ | 98 | +0⅛ | -0⅛ | 10.98 |
| State Bk.NSW. 13⅞ 93A$ | 100 | 98⅛ | 98½ | -0⅛ | 0 | 14 46 |
| Sweden 7½ 93 Ecu | 250 | 92⅞ | 93¼ | +0⅛ | -1⅛ | 9.75 |
| Sweden 15 94 A$ | 100 | 102½ | 103⅛ | -0½ | -0⅝ | 14.04 |
| Toyota Mtr.Cr.10⅞ 94C$ | 150 | 97⅝ | 98⅛ | +0⅛ | -0¼ | 10.89 |
| Toyota Mtr.Cr.11⅞ 92C$ | 150 | 100⅛ | 100½ | +0⅛ | -0⅛ | 11.18 |
| World Bank 7⅛ 99 FL | 300 | 92¼ | 92¾ | -0⅛ | -1⅞ | 8.29 |
| World Bank 10⅞ 94 £ | 200 | 95 | 95½ | 0 | -0⅞ | 12.24 |
| World Bank 13⅞ 92 A$ | 100 | 102⅞ | 103⅜ | 0 | +0¼ | 11.90 |
| World Bank 14¼ 94 A$ | 75 | 102⅛ | 102½ | -0⅛ | 0 | 13.50 |
| Zentrspk. 13¼ 93 A$ | 75 | †97¼ | 97¾ | 0 | +0⅛ | 14.10 |

| FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn |
|---|---|---|---|---|---|
| Alliance & Leic.Bld 94 £ | .08 | 99.87 | 99.92 | 24/01 | 15.21 |
| Bank of Greece 99 US$ | 0¼ | 99.51 | 99.61 | 8/03 | 9¼ |
| Belgium 91 US | 0 | 100.11 | 100.21 | 21/02 | 8.81 |
| Chelt. & Gloucester 94 £ | .063 | 99.82 | 99.87 | 28/02 | 15.31 |
| Credit Foncier 98 US | .063 | 99.89 | 99.99 | 20/04 | 8.31 |
| Dresdner Finance 99 DM | .031 | 100.08 | 100.18 | 28/01 | 8.16 |
| EEC 3 92 DM | 0 | 100.18 | 100.28 | 22/02 | 6¾ |
| Halifax BS 94 £ | .1 | 100.04 | 100.09 | 9/02 | 15.16 |
| Invt. in Industry 94 £ | 0¼ | 99.97 | 100.07 | 17/01 | 15.19 |
| Leeds Perm. B/S. 94 £ | 0⅛ | 100.05 | 100.10 | 15/01 | 15.37 |
| Milk Mkt.Brd. 5 93 £ | 0⅛ | 99 92 | 99.97 | 29/03 | 15⅛ |
| New Zealand 5 97 £ | .07 | 100.00 | 100.10 | 22/02 | 15⅛ |
| Northern Rock 92 £ | 0⅛ | 99.85 | 99.90 | 20/01 | 5⅛ |
| State Bk. Nsw. 98 US | .188 | 100.08 | 100.18 | 11/02 | 8.81 |
| Woolwich Equit.BS. 93 £ | 0⅛ | 100.02 | 100 06 | 15/01 | 15.37 |
| Woolwich 5 95 £ | 0⅛ | 99.97 | 100.02 | 22/02 | 15.31 |

Average price change... On day +0.01 on week +0.02

| CONVERTIBLE BONDS | Cnv. date | Cnv price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| Alcoa 6¼ 02 US | †8/87 | 62 | 122 | 123 | -0¼ | 0.76 |
| Amer. Brands 7¼ 02 US | 9/87 | 56.7 | – | – | – | – |
| CBS. Inc. 5 02 US | †4/87 | 200. | 97½ | 98½ | -0⅛ | 7.54 |
| Dai-Ichi Kan. 3⅞ 04 US | 7/89 | 3486. | 96 | 97 | -0¼ | 8 01 |
| Primerica 5½ 02 US | 4/87 | 66.75 | 74⅝ | 75⅝ | +0⅛ | 69.99 |
| Eng.China Clay 6½ 03 £ | 9/88 | 4.8 | 98¾ | 99¾ | -0⅛ | 0.08 |
| Fujitsu 3 99 US | 5/84 | 1106 | 214⅝ | 215⅝ | +1½ | 0.14 |
| Ladbroke 5⅛ 04 £ | 6/89 | 7.1 | 105½ | 106½ | -0⅛ | 120.06 |
| Land Secs. 6¾ 02 £ | 6/87 | 6.72 | 91¼ | 92⅛ | 0 | 14.29 |
| Minolta Camera 2¼ 94DM | 2/86 | 1004. | 107⅞ | 109 | -0⅞ | 8.19 |
| MCA Inc 5½ 02 US | 9/87 | 69.62 | 100½ | 101½ | -1¼ | 13.64 |
| Mitsubishi Bk. 3½ 04US | 5/89 | 3266. | 92⅛ | 93⅛ | -2⅛ | 2.86 |
| Next Plc 5¾ 03 £ | 11/87 | 4.3 | 96⅛ | 97⅛ | | [illegible] |
| Nishi Nipp.Bk.2⅞ 03 US | 4/88 | 804. | 151⅞ | 152⅞ | -2⅛ | -2.77 |
| Omnicom Inc. 6 1/2% 04 US | 10/89 | 28. | 105⅛ | 106⅛ | 0 | 14.55 |
| Omron Tateisi 2¾ 02 US | 4/87 | 1310. | 290 | 291⅛ | +0⅛ | 1.79 |
| Ranks Hovis 4¾ 03 £ | †1/88 | 3.5 | 121½ | 122½ | -0⅛ | -0.47 |
| Redland 7¼ 02 £ | †1/87 | 5.4 | 111 | 112 | +1 | 1.19 |
| Saatchi&Saatchi 6¾ 03 £ | †10/89 | 4.41 | 87½ | 88½ | -0⅛ | 44.81 |
| Silicon Graphics 8 04 US | †6/89 | 23.18 | 124⅛ | 125⅛ | -1 | 7.53 |
| Sumitomo Bank 3¼ 04 US | 2/89 | 3897. | 85¾ | 86⅛ | +0⅛ | 5.93 |
| Texas Inst. 2¾ 02 US | 9/87 | 82.87 | 78⅛ | 79⅛ | +0⅛ | 78.52 |
| Utd.N'papers 8 04 £ | 10/89 | 8.77 | 123⅛ | 124⅛ | -1 | 137.27 |
| W.R. Grace 6¼ 02 US | 9/87 | 42.12 | 93⅞ | 94⅞ | -0½ | 22.32 |

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

## INTERNATIONAL CAPITAL MARKETS

# Gilts continue to fall as inflation fears resurface

By Martin Dickson in London and Janet Bush in New York

UK GOVERNMENT bond prices dropped yesterday for the third successive day as market concern switched from the Government's reverse auction policy for gilts to renewed concern over inflationary pressures.

### GOVERNMENT BONDS

The decline, which came in light trading volumes, was concentrated at the long end of the market. The benchmark 11¾ Treasury stock due 2003/7 was quoted in late trading at 108.24, down ¾ on the overnight level, for a yield of 10.51. That compares with 110½ on Friday night, before the market was unsettled by reports of the *Government cancelling a* reverse gilt auction.

The initial movement yesterday morning was up, with the March long gilt future opening at 90.15 and reaching a high of 90.26. The low was 90.06 and the close 90.09.

*The market's afternoon* reversal was blamed by analysts on inflationary fears, with some pointing to the threat of higher oil prices and others to concern over the outcome of the Ford pay talks and ambulance dispute.

However, one school of thought suggested there was now a great deal of inflationary bad news discounted by the market and the 10.5 per cent yield could prove a substantial resistance level.

■US Treasury bonds continued to trade within a tight range yesterday morning, with caution heightened as traders waited for the sale of $7.5bn in seven-year notes.

At midsession, short-dated maturities were quoted mostly unchanged from Tuesday's closing levels, while long-dated issues were up to ⅛ point higher. The Treasury's benchmark long bond was quoted unchanged for a yield of 8.09 per cent.

Bond market economists at Griggs & Santow noted yesterday that the narrowing of the interest rate spread between 10-year Japanese and US government bonds had fallen below 2 per cent, an important level. Retail interest going into yesterday's auction has been light amid concerns that the Federal Reserve will not usher interest rates lower, given evidence that the economy is stronger than thought and that upward price pressure remains persistent.

The mood is cautious in advance of tomorrow's key *economic reports, including* December producer price figures. The Producer Prices Index is expected to have risen by around 0.5 per cent.

Also due for release tomorrow are December figures for retail sales, forecast to have risen by around 0.6, and the latest figures for jobless claims. Another negative move for bonds yesterday was a renewed rally in crude oil and gasoline prices.

Rising crude and gas prices have intensified concerns about inflation.

*Strength in the dollar mitigated* some of these negative factors yesterday. At midsession, the dollar was quoted at Y145.30 compared with an earlier low of Y144.55, but was off a high of Y145.85 amid reports of intervention against the US currency by the Fed and the Bundesbank. Fed funds opened at 8¼ per cent and traded steadily at this level as the Fed's intervention time approached.

■The West German government bond market took early heart from a series of good statistical figures on GNP growth and the 1989 Budget deficit. It was also buoyed by the week's securities repurchase tender, where the Bundesbank left interest rates little changed, and by a Bundesbank board member, Mr Claus Köhler, saying fears of higher German interest rates were unjustified.

But in the afternoon prices dropped, partly on reconsideration of the budget figures, which, while well *ahead of* expectations, were not as outstanding as had first appeared.

The federal government's 7¼ January 2000 bond was fixed 20 pfennigs higher at 98.65, after 98.45 on Tuesday, but fell back in late trading to 98.50, for a yield of 7.47 per cent.

■In the Japanese government bond market, this week's steep price decline was slightly reversed in London trading. The benchmark 119th bond due 1999 was quoted late in London at a yield of around 6.20 per cent, helped by a firmer yen and a degree of bounce from previous lows.

On Wednesday in Tokyo the yield on the bond rose to 6.38, its highest level for more than two years, from 5.835 on January 4. "People are looking for excuses to sell," said one analyst. Immediate reasons for Wednesday's decline included disappointment that the latest 10-year Government issue had *only carried a 5.6 per cent coupon*, and analysts said dealers had also been selling to hedge their positions in the new 10-year issue, feeling that lack of investor interest would leave them with bonds on their hands.

### BENCHMARK GOVERNMENT BONDS

| | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|
| UK GILTS | 13.500 | 8/92 | 102-29 | -12/32 | 12.18 | 11.85 | 11.92 |
| | 9.750 | 1/98 | 93-28 | -9/32 | 10.92 | 10.67 | 10.84 |
| | 9.000 | 10/08 | 91-23 | -9/32 | 9.95 | 9.76 | 9.80 |
| US TREASURY * | 7.875 | 11/99 | 99-01 | +0/32 | 8.02 | 7.97 | 7.83 |
| | 8.125 | 8/19 | 100-09 | +1/32 | 8.10 | 8.03 | 7.89 |
| JAPAN No 111 | 4.800 | 6/99 | 91.6870 | -0.326 | 6.20 | 5.78 | 5.43 |
| No 2 | 5.700 | 3/07 | 97.2140 | -0.247 | 6.03 | 5.72 | 5.47 |
| GERMANY | 7.000 | 8/99 | 98.4200 | +0.840 | 7.53 | 7.59 | 7.26 |
| FRANCE BTAN | 8.000 | 10/94 | 91.9883 | +0.108 | 10.19 | 10.27 | 8.85 |
| OAT | 8.125 | 5/99 | 91.4900 | +0.260 | 9.52 | 9.55 | 9.05 |
| CANADA * | 9.250 | 12/99 | 98.8800 | +0.450 | 9.75 | 9.68 | 9.68 |
| NETHERLANDS | 7.250 | 7/99 | 94.0200 | -0.170 | 8.17 | 8.15 | 7.76 |
| AUSTRALIA | 12.000 | 7/99 | 94.9660 | -0.156 | 12.93 | 12.98 | 13.05 |

London closing, *denotes New York morning session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

*Technical Data/ATLAS Price Sources*

# SEC delays full opening of options competition

By Deborah Hargreaves

THE Securities and Exchange Commission will go ahead with its plan to make the US equity options market more competitive when it removes exclusive trading privileges for some equity options on January 22.

However, competition will be restricted to new stock options listings in a concession to pressure from the US options exchanges. The SEC has asked the exchanges to refrain from competing on existing options while they develop a plan for electronic linkage of the markets.

The agency has given the exchanges until June 30 to cooperate in discussions on a market link, after it faced a vigorous protest from the US exchanges that the multiple listings rule could fragment the market. An electronic link between options exchanges would enable brokers to route their orders to the exchange offering the best price on an *option that is traded on more* than one exchange.

The SEC decided initially that the market should be totally opened to more competition by early next year. Competition is now likely to be restricted to new listings until the exchanges have an electronic link system in place, which could take several years.

Multiple listings of equity options has been controversial in the US market for the past 10 years.

The SEC has pushed to remove a lottery system that allocates new options to one exchange in a bid to reduce costs for market participants. Many retail customers are users of equity options and the agency is hoping that more competition will cut their costs.

Mr Nick Giordano, president of the Philadelphia Stock Exchange, says the SEC has given the exchanges an opportunity to come up with a workable plan for linkage. Mr Giordano has been a fierce critic of the SEC's decision to phase in multiple listings without an electronic link, as he believes it will lead to market fragmentation and confusion.

# London loses out in swaps league

## Deborah Hargreaves on how the Hammersmith ruling hit trading

THE UK swaps market is still reeling from the high court ruling in November that declared swap market transactions by the London Borough of *Hammersmith* and Fulham unlawful.

The ruling has precluded all local government bodies from dealing in the swaps market and cast a shadow over the market activity of other non-incorporated bodies such as building societies.

With an appeal court hearing scheduled for Monday, uncertainty hangs over the UK swaps market as banks fear huge losses from their transactions with UK local authorities.

The ruling's initial effect on the sterling swap market has been to reduce its depth and increase hedging costs by widening bid-ask spreads. Activity has been slimmed further by the relatively stable interest rate environment, in which rates have remained high for months.

But the long-term implications of the ruling could be much greater, pushing financial innovation offshore and prompting international banks to take their *creativity elsewhere*.

In the past 10 years, the market for interest rate and currency swaps has developed from a negligible level to a value of some $2,000bn last year.

This activity has been split between the three centres of New York, London and Tokyo, with London doing around a third of the business.

With New York, London was at the forefront of the developing market, but its market share of swaps business has been eroded in recent years as the Japanese market has grown. The Hammersmith and Fulham ruling is likely to increase the pressure on UK market share.

International swap dealers are quick to stress that the swaps ruling is a UK political issue rather than a market problem.

But in a strong lobby of the UK Government, the International Swap Dealers' Association (ISDA) is pushing for a clarification of the situation in the swaps market.

As a sophisticated institutional market, swaps activity has been fairly free from the close scrutiny of a single regulatory organisation, *although the banks* involved in the deals are subject to oversight.

When the Commodity Futures Trading Commission proposed measures to oversee commodity swaps in the US in 1987, market participants took *fright* and fled overseas. This gave London's nascent commodity swaps business an 18-month boost, until the CFTC reversed its decision last year.

Some market participants think a similar exodus could occur from the UK financial swaps market, unless the Government steps in. UK clearing banks which do a lot of swaps business would remain in London, but other international banks could move much of their swaps activity to other financial centres if the uncertainty continues.

**Long-term implications of *the* ruling could be to push financial innovation offshore and prompt international banks to take their creativity elsewhere**

"If foreign banks continue to feel that the UK authorities have not protected the sector in a way they might have, they may feel the regulatory regime is not one to which they want to commit a lot of resources," one UK merchant banker says. In the run-up to 1992, foreign banks are looking carefully at where they should base their European operations.

Some 75 local authorities were involved in the UK swaps market prior to the Hammersmith and Fulham case, and many of these contracts are outstanding. The ISDA, with bodies such as the *British Bankers' Association*, is pushing the Government to find a way to enable these contracts to be honoured.

If local authorities are forced to unravel all their existing swap agreements, the market could become embroiled in a mess of *financial negotiations* which could take years to resolve.

"The situation is dramatic when viewed from offshore, and it looks as if business not just in swaps, but also in other innovative financial products, could migrate overseas," says one US banker.

New activity in the global swaps business has been growing at a rate of 50 per cent a year, and although the Hammersmith and Fulham case is not likely to affect overall market activity, UK market depth could suffer for some time.

# Thai brokers suspected of PM resignation rumour

TWO LICENSED sub-brokerages in Thailand have been suspended pending a government investigation into whether they were connected with a rumour that Prime Minister Chatichai Choonhavan had decided to resign, said Mr Pramual Sabhavasu, Finance Minister, yesterday, Reuter reports.

Mr Pramual said the authorities have told Chao Thai Securities and Thai Fuji Securities to stop accepting trading orders.

Brokers said the government action apparently stemmed *from reports that the two sub-*brokers were allegedly responsible for the rumour, which shook the Bangkok stock market on Tuesday.

The rumour, denied by the Government, depressed prices sharply. The composite Stock Exchange of Thailand Index fell more than 15 points during Tuesday's first hour of trading. *The official indicator* later rebounded to end 3.31 points higher.

Mr Pramual said: "Some speculators have exploited the current Thai bull market and attempted to turn it into a gambling casino."

He added that the Prime Minister had instructed him "to closely monitor activity at the exchange . . . which under the government policy should primarily be used as a place [for private companies] to mob*ilise public funds*."

Thai stock prices have jumped on record trading volumes in the past two weeks. The SET Index has gained 8.3 per cent since December 25, closing on Wednesday at 912.18.

# NZI in $500m credit line from international banks

By Stephen Fidler, Euromarkets Correspondent

NZI, THE New Zealand-based insurance and banking group which was taken over last year by General Accident in an effort to restore the group to financial health, is establishing a $500m credit line from international banks.

The financing, being arranged jointly by Bank of America International and J.P. Morgan, will carry the guarantee of General Accident, the AAA-rated UK composite insurer. GA took over the 48 per cent of NZI it did not own last year to try to tighten management control over the group.

The three-year financing is in two parts.

A $300m revolving credit, to be used for general purposes and to back up a US commercial paper programme, will carry a facility fee of 10 basis points and an interest margin on any drawn funds of 10 basis points.

If more than half is drawn, a utilisation fee of 7½ basis points is payable.

A $200m transferable loan certificate facility for NZI's Australian subsidiary will carry a margin of 22½ basis points for the first two years and 25 basis points for year three.

There is also an uncommitted Euronote facility.

The financing will be used to replace a maturing facility of $300m for NZI and to replace a number of bilateral bank credit lines.

General Accident has never borrowed in its own name in the international markets.

## LONDON MARKET STATISTICS

### FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

| | EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section | Wed Jan 10 1990: Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (Act at (25%)) | Est. P/E Ratio (Net) | xd adj. 1990 to date | Tue Jan 9: Index No. | Mon Jan 8: Index No. | Fri Jan 5: Index No. | Year ago (approx): Index No. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CAPITAL GOODS (202) | 948.37 | -0.7 | 12.03 | 4.51 | 10.13 | 0.00 | 955.48 | 952.34 | 955.25 | 809.72 |
| 2 | Building Materials (27) | 1167.56 | -0.5 | 13.49 | 4.84 | 9.24 | 0.00 | 1173.32 | 1169.86 | 1171.02 | 982.44 |
| 3 | Contracting, Construction (36) | 1603.96 | -0.4 | 15.77 | 4.92 | 8.32 | 0.00 | 1611.07 | 1606.27 | 1612.87 | 1529.78 |
| 4 | Electricals (10) | 2699.23 | -0.6 | 9.97 | 4.61 | 12.61 | 0.00 | 2714.30 | 2705.79 | 2723.67 | 2379.69 |
| 5 | Electronics (30) | 2024.21 | -1.0 | 9.82 | 3.61 | 14.25 | 0.00 | 2044.72 | 2024.49 | 2020.00 | 1678.04 |
| 6 | Engineering-Aerospace (8) | 486.37 | -1.2 | 12.36 | 4.54 | 9.98 | 0.00 | 492.18 | 485.01 | 491.52 | 0.00 |
| 7 | Engineering-General (44) | 501.14 | -0.1 | 11.23 | 4.69 | 10.74 | 0.00 | 501.89 | 500.95 | 501.70 | 0.00 |
| 8 | Metals and Metal Forming (6) | 497.52 | -1.4 | 23.70 | 6.84 | 4.76 | 0.00 | 504.54 | 504.46 | 509.22 | 464.38 |
| 9 | Motors (16) | 397.67 | -0.9 | 13.38 | 5.31 | 8.76 | 0.00 | 401.37 | 399.28 | 399.95 | 265.61 |
| 10 | Other Industrial Materials (25) | 1730.61 | -0.8 | 9.65 | 4.15 | 12.02 | 0.00 | 1753.03 | 1759.81 | 1765.99 | 1363.58 |
| 21 | CONSUMER GROUP (180) | 1343.13 | -0.9 | 8.47 | 3.54 | 14.77 | 0.00 | 1354.92 | 1348.69 | 1352.80 | 1042.54 |
| 22 | Brewers and Distillers (22) | 1566.47 | -0.4 | 9.17 | 3.36 | 13.54 | 0.00 | 1573.41 | 1550.08 | 1543.71 | 1136.18 |
| 25 | Food Manufacturing (19) | 1160.25 | -1.3 | 9.36 | 3.01 | 13.26 | 0.00 | 1175.66 | 1170.67 | 1181.56 | 947.02 |
| 26 | Food Retailing (16) | 2316.37 | -1.0 | 8.87 | 3.26 | 14.63 | 0.00 | 2340.93 | 2332.56 | 2337.48 | 1811.45 |
| 27 | Health and Household (13) | 2723.16 | -1.1 | 5.75 | 2.40 | 20.71 | 0.00 | 2754.15 | 2753.07 | 2786.41 | 1849.71 |
| 29 | *Leisure (34)* | *1699.41* | *-1.0* | *7.86* | *3.48* | *15.67* | *0.00* | *1717.22* | *1700.06* | *1682.94* | *1373.82* |
| 31 | Packaging & Paper (15) | 596.02 | +1.5 | 11.04 | 4.85 | 11.38 | 0.00 | 587.20 | 585.29 | 587.62 | 539.40 |
| 32 | Publishing & Printing (17) | 3772.98 | -0.3 | 8.34 | 4.65 | 15.49 | 0.00 | 3785.97 | 3804.25 | 3826.92 | 3339.51 |
| 34 | Stores (31) | 828.08 | -0.9 | 10.57 | 4.54 | 12.30 | 0.00 | 835.12 | 833.60 | 833.69 | 695.81 |
| 35 | Textiles (13) | 542.74 | -0.7 | 10.65 | 5.52 | 11.38 | 0.00 | 546.32 | 550.13 | 551.80 | 474.80 |
| 40 | OTHER GROUPS (103) | 1219.13 | -0.5 | 10.50 | 4.48 | 11.40 | 0.00 | 1224.83 | 1222.22 | 1228.94 | 922.32 |
| 41 | Agencies (16) | 1608.53 | -1.0 | 6.97 | 2.24 | 18.68 | 0.00 | 1624.07 | 1606.66 | 1611.08 | 1092.47 |
| 42 | Chemicals (22) | 1286.55 | -0.7 | 11.78 | 5.00 | 10.01 | 0.00 | 1295.68 | 1286.93 | 1293.07 | 1069.88 |
| 43 | Conglomerates (14) | 1697.68 | -0.1 | 10.69 | 5.15 | 10.95 | 0.00 | 1699.28 | 1694.90 | 1698.12 | 1272.33 |
| 44 | Transport (13) | 2401.25 | -0.7 | 10.08 | 4.00 | 12.64 | 0.00 | 2417.23 | 2407.81 | 2425.92 | 1906.27 |
| 46 | Telephone Networks(2) | 1244.88 | -0.4 | 10.20 | 4.12 | 12.75 | 0.00 | 1249.27 | 1252.73 | 1268.46 | 1034.31 |
| 47 | Water(10) | 1965.34 | -1.0 | 17.75 | 6.90 | 6.24 | 0.00 | 1983.11 | 1973.99 | 1983.00 | 0.00 |
| 48 | Miscellaneous (26) | 1971.79 | -0.3 | 8.99 | 4.28 | 12.58 | 0.00 | 1977.38 | 1979.25 | 1977.08 | 1280.90 |
| 49 | INDUSTRIAL GROUP (485) | 1221.69 | -0.7 | 9.98 | 4.07 | 12.28 | 0.00 | 1230.49 | 1226.16 | 1230.82 | 965.31 |
| 51 | Oil & Gas (15) | 2368.06 | -1.6 | 9.14 | 4.84 | 14.47 | 0.00 | 2407.42 | 2414.34 | 2437.71 | 1760.12 |
| 59 | 500 SHARE INDEX (500) | 1318.28 | -0.8 | 9.87 | 4.17 | 12.51 | 0.00 | 1329.38 | 1325.87 | 1331.98 | 1032.87 |
| 61 | *FINANCIAL GROUP (134)* | *855.52* | *-0.8* | *–* | *4.97* | *–* | *0.00* | *862.37* | *864.19* | *865.51* | *685.47* |
| 62 | Banks (9) | 890.58 | -1.2 | 19.34 | 5.65 | 6.80 | 0.00 | 901.04 | 893.15 | 900.77 | 679.14 |
| 65 | Insurance (Life) (7) | 1428.05 | -0.7 | – | 4.65 | – | 0.00 | 1438.39 | 1467.72 | 1462.79 | 955.47 |
| 66 | Insurance (Composite) (7) | 719.68 | -0.6 | – | 5.25 | – | 0.00 | 723.77 | 734.03 | 727.46 | 532.14 |
| 67 | Insurance (Brokers) (6) | 1151.06 | -1.6 | 6.45 | 5.48 | 20.63 | 0.00 | 1170.26 | 1182.43 | 1185.55 | 953.22 |
| 68 | Merchant Banks (8) | 497.82 | -0.5 | – | 3.57 | – | 0.00 | 500.10 | 501.45 | 499.17 | 324.60 |
| 69 | Property (49) | 1231.95 | -0.4 | 7.44 | 3.48 | 16.99 | 0.00 | 1236.29 | 1238.96 | 1240.41 | 1223.20 |
| 70 | Other Financial (28) | 348.59 | -0.5 | 12.10 | 6.04 | 10.84 | 0.00 | 350.52 | 349.33 | 350.17 | 346.74 |
| 71 | Investment Trusts (68) | 1299.32 | -1.2 | – | 2.79 | – | 0.00 | 1315.31 | 1316.12 | 1318.08 | 947.89 |
| 91 | Overseas Traders (5) | 1558.25 | -0.7 | 8.87 | 5.08 | 12.97 | 0.00 | 1569.06 | 1564.20 | 1584.20 | 1292.15 |
| 99 | ALL-SHARE INDEX (687) | 1207.72 | -0.8 | – | 4.25 | – | 0.00 | 1218.02 | 1215.80 | 1220.77 | 947.38 |

| | Index No. | Day's Change | Day's High (a) | Day's Low (b) | Jan 9 | Jan 8 | Jan 5 | Jan 4 | Jan 3 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX‡ | 2412.6 | -23.7 | 2425.2 | 2411.9 | 2436.3 | 2431.3 | 2444.5 | 2451.6 | 2463.7 | 1834.1 |

### FIXED INTEREST

| | PRICE INDICES | Wed Jan 10 | Day's change % | Tue Jan 9 | xd adj. today | xd adj. 1990 to date |
|---|---|---|---|---|---|---|
| | British Government | | | | | |
| 1 | Up to 5 years | 116.30 | -0.16 | 116.48 | – | 0.25 |
| 2 | 5-15 years | 128.04 | -0.36 | 128.50 | – | 0.00 |
| 3 | Over 15 years | 136.91 | -0.41 | 137.47 | – | 0.00 |
| 4 | Irredeemables | 154.95 | -0.87 | 156.31 | – | 0.00 |
| 5 | All stocks | 126.69 | -0.30 | 127.07 | – | 0.14 |
| | Index-Linked | | | | | |
| 6 | Up to 5 years | 141.67 | -0.05 | 141.74 | – | 0.00 |
| 7 | Over 5 years | 139.85 | -0.15 | 140.27 | 0.21 | 0.21 |
| 8 | All stocks | 139.86 | -0.15 | 140.26 | 0.19 | 0.19 |
| 9 | Debentures & Loans | 105.89 | -0.14 | 106.05 | – | 0.00 |
| 10 | Preference | 84.40 | -0.03 | 84.42 | – | 0.00 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Wed Jan 10 | Tue Jan 9 | Year ago (approx.) |
|---|---|---|---|---|---|
| | British Government | | | | |
| 1 | Low | 5 years | 10.33 | 10.25 | 9.38 |
| 2 | Coupons | 15 years | 9.86 | 9.77 | 9.09 |
| 3 | | 25 years | 9.83 | 9.74 | 8.99 |
| 4 | Medium | 5 years | 11.35 | 11.25 | 10.55 |
| 5 | Coupons | 15 years | 10.32 | 10.26 | 9.66 |
| 6 | | 25 years | 9.95 | 9.90 | 9.22 |
| 7 | High | 5 years | 11.49 | 11.40 | 10.79 |
| 8 | Coupons | 15 years | 10.49 | 10.44 | 9.81 |
| 9 | | 25 years | 10.07 | 10.02 | 9.11 |
| 10 | Irredeemables† | | 9.88 | 9.79 | 8.97 |
| | Index-Linked | | | | |
| 11 | Inflation rate 5% | Up to 5yrs. | 3.87 | 3.84 | 3.74 |
| 12 | Inflation rate 5% | Over 5 yrs. | 3.66 | 3.65 | 3.73 |
| 13 | Inflation rate 10% | Up to 5 yrs. | 3.01 | 2.98 | 2.55 |
| 14 | Inflation rate 10% | Over 5 yrs. | 3.50 | 3.49 | 3.57 |
| 15 | Debs & | 5 years | 13.66 | 13.72 | 11.67 |
| 16 | Loans | 15 years | 12.42 | 12.47 | 11.28 |
| 17 | | 25 years | 12.14 | 12.12 | 10.95 |
| 18 | Preference† | | 10.94 | 10.93 | 10.32 |

‡Opening index 2424.5; 10 am 2416.6; 11 am 2419.9; Noon 2419.9; 1 pm 2417.8; 2 pm 2417.4; 3 pm 2414.1; 3.30 pm 2415.9; 4 pm 2418.2 (a) 9.10am (b) 2.44pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 4 | 90 | 6 |
| Corporations, Dominion and Foreign Bonds | 0 | 9 | 31 |
| Industrials | 269 | 503 | 835 |
| Financial and Properties | 92 | 257 | 344 |
| Oils | 9 | 42 | 42 |
| Plantations | 1 | 2 | 7 |
| Mines | 38 | 45 | 76 |
| Others | 32 | 122 | 103 |
| Totals | 445 | 1,070 | 1,444 |

### LONDON RECENT ISSUES

#### EQUITIES

#### FIXED INTEREST STOCKS

#### RIGHTS OFFERS

### TRADITIONAL OPTIONS

- First Dealings Jan 8
- Last Dealings Jan 19
- Last Declarations Apr 5
- For settlement Apr 17

*For rate indications see end of London Share Service*

Calls in Conroy Pet. & Nat. Res., Summer Intl., Cityvision, Bula Res., Cookson and Tamaris. Puts and calls in Tamaris and Molopo.

### LONDON TRADED OPTIONS

ACTIVITY picked up modestly in London Traded Options yesterday, but trading in the FT-SE 100 index option remained low.

Of the 30,822 contracts which changed hands, 17,786 were calls. FT-SE volume stood at 4,349 lots, 1,412 of which were calls. The January 2,300 put, where 534 contracts traded, was the most active series.

Of individual stocks, the water package traded most contracts, but in very few trades. Of the 3,007 contracts which changed hands, 3,004 were puts, 3,000 of *them the May 1500 series*. A prominent UK house said the 3,000 lots represented one trade at a price of 30 on behalf of an institutional seller, an owner of the underlying stocks. This was, in effect, underwriting the water package and the investor would be willing to pick up stock below the 1,600 level because of the yield.

This strategy was being pursued by institutions in a number of stocks.

The second most active individual stock was Hanson, which announced a 20 per cent rise in its dividend yesterday. Of the 1,836 contracts traded, 1,682 were calls, of which 400 were in the May 280 series.

British Gas, another high-yielding stock in which holders were willing to sell puts, followed: 1,700 contracts traded, 1,149 of them puts. The March 220 puts turned over 514 lots.

Some 1,633 contracts were traded in Storehouse, a stock in which takeover speculation is keeping activity high. This was apparently dominated by speculative call buying: 1,453 calls and 180 puts traded, with the most active series the January 130 calls, where 750 lots changed hands.

Rolls-Royce traded 1,538 contracts, all but 50 of which were calls. A single trade in the March 200 calls, at 8, was said to have accounted for 1,350 contracts. Some houses were looking to sell calls against stock holdings.

# Markheath to reduce debt via £45.4m share issue

By Ray Bashford

MARKHEATH SECURITIES, the UK investment vehicle of the Australian group, Adelaide Steamship, is raising £45.4m through a one-for-one share issue to reduce borrowings in preparation for planned expansion.

Mr John Spalvins, the chief executive of Adelaide Steamship, also announced a 14 per cent rise in Markheath's pre-tax profits to £4.3m during six months to September 30.

The shares are being issued at 75p compared with yesterday's closing price of 81p. Adelaide Steamship is taking up its full entitlement as a 49.9 per cent shareholder.

Terry Kirk

John Spalvins: issue would allow company to cut borrowings to £20m

The issue creates the possibility for Howard Smith, a diversified Australian company in which Adelaide Steamship has an indirect interest, to become a significant shareholder in Markheath as the remainder of the shares will be placed with the group, subject to a claw-back by shareholders.

Mr Spalvins said that the issue would allow the company to cut borrowings to £20m by the March 31 balance date while shareholders' funds would stand at about £100m by the same date.

From this base the Australian felt that the company would be well placed to make investments of up to £200m, employing unused lines of credit, as part of Adelaide Steamship's strategy to increase its involvement in the UK and Continental Europe.

Mr Spalvins said the group's investment plans were not limited to the property sector, which generated the bulk of the past half's earnings, and that the group was examining a broad range of investment opportunities.

"We would not rule out a hostile bid, although that would be the last choice," he said.

The investments in Camford Engineering and Frogmore Estates, in which 29.9 per cent and 24 per cent stakes respectively are held, were important contributors to Markheath's interim results.

Dividends from these two companies totalled £1m compared with £43,000 in the corresponding half and £836,000 in the year to March 31 last year. However, the holding costs associated with the two stakes considerably exceeded the dividend payments.

Group turnover was £14m (£15.9m) while the operating profit was £2.4m (£2.8m). The dividend has been raised 33 per cent to 2p a share.

Mr Spalvins was confident about the outlook for the remainder of the current year, especially as the sale for £20m of an office block at Chiswick, London has already been completed.

# Saying a reluctant yes to gloomy results

## David Barchard on the TSB's present problems and those which threaten after 1991

EVERYONE IS braced for bad news as the TSB Group announces today its third set of annual results since its flotation in 1986.

So deep is the pessimism in the City that if TSB's pre-tax profits reach half of the 1988 year-end figure of £420m, the results will be greeted as something of a success.

It is a bitter sequel to a story of high hopes among investors and bank officials alike at the time of the flotation.

Also, it is not a very enviable position for Sir Nicholas Goodison, the former chairman of the London Stock Exchange who last year took over as TSB's group chairman and has since found himself reporting a string of gloomy developments.

Morale in the bank is very low and senior officials appear to be making every effort to ensure that branch staff are kept firmly segregated from the press.

Part of TSB's problem is the downturn in the UK retail banking market on which the bank depends almost entirely. It is more dependent, for example, than the other large banks on the mortgage market which has been stagnating for the past 18 months.

However this is not the full explanation for the problems the group faces.

Last year TSB seemed to be faring much less well in the market than its principal competitors, the Big Four clearing banks (National Westminster, Barclays, Midland and Lloyds), and it does not have their huge burden of doubtful Third World debts with which to contend. However among the bad news expected today is the likely raising of provisions against developing country debts belonging to Hill Samuel, TSB's corporate banking arm acquired in 1987.

Elsewhere in the bank, signs of ill-health, and frantic efforts to remedy it, abound. Operating costs a year ago were just under 75 per cent of income, more than 10 per cent above the figure for most of its competitors.

The 1,550 branch network is still admitted to be patchy in southern England. In many northern towns, where the group's roots lie, TSB branches are often sited in back streets rather than prime commercial locations and are, the bank admits, "sub-standard in appearance".

Most striking of all has been the incessant series of changes in the structure and personnel of the bank. Out have gone all but one of the top managers inherited from the old TSB world.

Two-thirds of the top 300 managers of the bank arrived around the time of the flotation or after it.

Fifty senior managers were removed last October. Out too have gone the regional boards and most of the bank's traditional federal structure. One of Sir Nicholas' first moves after taking over as chairman was to axe 12 directorships on the group board and 103 local directors.

Furthermore the cuts do not stop at the top.

Sir Nicholas Goodison: reporting a string of gloomy developments

Over the next five years, a total of 5,000 jobs will be lost. Head office operations will be slimmed down and branches will work in groups of 16, linked to one of 80 local "processing factories".

The group is currently locked in negotiations with Bifu, the banking union, about how to achieve these painful changes.

The hope is that within three years TSB will drive down its cost/income ratio to 63 per cent.

Critics claim that the changes are a Procrustean effort to remodel TSB along the same lines as the other big clearers. They further claim that in the process the bank may be throwing away the loyalty of its staff (most of whom are living under the shadow of losing their jobs) and perhaps its traditional customer base which is used to a different banking style.

This is not an argument which appeals to the main architect of the restructuring, Mr Don McCrickard, a former American Express executive who arrived in the group as head of UDT, its finance house subsidiary, and joined the parent bank in the spring of 1988. He became group chief executive last month. The key figure below him is Mr Peter Ellwood, now chief executive for retail banking, brought in from Barclaycard last spring.

It must be said that there are some existing strengths on which to build.

TSB's record of success in selling insurance products to its banking customers is well ahead of most of its rivals.

The bank is also marketing its personal loans products aggressively, targeting the lower income customers which it understands best and trying to broaden its market base in other areas as well, using Hill Samuel's expanding branch network in the provinces to reach small and medium-sized businesses with good growth prospects.

But the real question for Sir Nicholas and Mr McCrickard is growing steadily starker.

It is how TSB will fare after September 1991 when its five years of post-flotation protection from takeover are up. With a little more than a year and a half to go, TSB's chances of maintaining its independence look increasingly doubtful, given its form over the last few years.

Conscious that TSB could be highly vulnerable to a foreign predator seeking to enter the UK banking market, the group's board must already be examining the defences.

One possibility being advanced this week by stockbroker UBS Phillips & Drew was that management could initiate a share buy-back. This, the stockbroker believes, could enhance earnings by as much as 30 per cent, restoring attraction to TSB's shares for many investors.

But for Sir Nicholas and Mr McCrickard the real problem is to improve TSB's trading performance to the point where it looks able to compete convincingly with the Big Four clearing banks.

Today's results will be anxiously scanned for any glimmers of hope.

# Wyko advances 24% to £1.5m

By David Owen

WYKO, the USM-quoted maker and distributor of moving parts for industrial machinery, has reported a solid advance in interim profits spurred principally by a strong performance by its international division.

Pre-tax profits for the half year to October rose by 24 per cent from £1.24m to £1.53m. Turnover climbed from £18.87m to £23.74m.

Earnings per share, adjusted for last July's 31-for-100 rights issue, increased by a comparatively subdued 9.5 per cent from 4.12p to 4.51p. The interim dividend has been raised from 1.25p to 1.4p.

Broad-based growth propelled the international unit to a 50 per cent pre-tax profit advance on sales ahead 47.5 per cent at £7.93m.

This compensated for an increment of only 5.2 per cent in profits from UK manufacturing. A strong second half is expected from this division, however, as profitable contracts commenced in the first period are completed.

In distribution, the company said that satisfactory returns from new branches were now being achieved. It described the general trading pattern as "encouraging".

According to Mr Philip White, chairman, Wyko is reviewing the establishment of a physical presence in the Far East. It is also investigating possible "strategic alliances" in Italy.

The shares were unchanged at 80p.

## UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume (1985=100); retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

| | Indl. prod. | Mfg. output | Eng. order | Retail vol. | Retail value* | Unemployed | Vacs. |
|---|---|---|---|---|---|---|---|
| 1988 | | | | | | | |
| 2nd qtr. | 109.5 | 112.5 | 32.9 | 118.7 | 132.7 | 2,384 | [illegible] |
| 3rd qtr. | 110.5 | 115.6 | 36.6 | 120.1 | 135.9 | 2,269 | 244.9 |
| 4th qtr. | 110.2 | 117.1 | 36.5 | 121.6 | 138.4 | 2,161 | 261.4 |
| 1989 | | | | | | | |
| 1st qtr. | 109.5 | 118.6 | 38.2 | 121.5 | 138.4 | [illegible] | 232.6 |
| 2nd qtr. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 3rd qtr. | 110.7 | 118.4 | [illegible] | [illegible] | [illegible] | [illegible] | 220.2 |
| January | 109.6 | 119.9 | 35.4 | 119.8 | 134.3 | [illegible] | [illegible] |
| February | 109.1 | 119.0 | [illegible] | 122.1 | [illegible] | [illegible] | 229.0 |
| March | 109.5 | 118.6 | 34.7 | 122.6 | 137.4 | 1,817 | 226.9 |
| April | 110.3 | 118.7 | 34.7 | 120.3 | 131.8 | [illegible] | 220.2 |
| May | 109.3 | 119.7 | 34.1 | 124.5 | 135.4 | [illegible] | 218.5 |
| June | 108.9 | 119.4 | 34.6 | 121.5 | 133.5 | 1,810 | 224.4 |
| July | 110.6 | 118.5 | 34.7 | 121.6 | 136.6 | 1,767 | 220.9 |
| August | 111.6 | 120.5 | 35.3 | 121.8 | 134.9 | 1,745 | [illegible] |
| September | 118.5 | 119.5 | 35.6 | 122.2 | 133.9 | 1,664 | 220.7 |
| October | 111.4 | 118.9 | 36.5 | 121.2 | 140.2 | 1,676 | 214.5 |
| November | | | | 121.3 | 138.3 | 1,676 | 209.5 |

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

| | Cnsmer. goods | Invest. goods | Intmd. goods | Eng. output | Metal mnfg. | Textile etc. | Housg. starts* |
|---|---|---|---|---|---|---|---|
| 1988 | | | | | | | |
| 2nd qtr | 111.5 | 109.7 | 108.9 | 119.4 | [illegible] | 100.8 | 20.3 |
| 3rd qtr | 114.0 | 113.1 | 109.3 | 114.6 | 125.1 | 101.7 | 20.4 |
| 4th qtr | 114.5 | 116.1 | 108.3 | 116.5 | 124.5 | 101.3 | 18.4 |
| 1989 | | | | | | | |
| 1st qtr. | 114.9 | 118.1 | 102.9 | 116.3 | 120.3 | 101.5 | 17.8 |
| 2nd qtr. | 115.5 | 120.1 | 102.7 | 119.6 | 123.8 | 99.9 | 18.6 |
| 3rd qtr. | 114.6 | 122.6 | 104.6 | [illegible] | [illegible] | 97.4 | 14.6 |
| January | 114.8 | 118.4 | [illegible] | 119.0 | 137.8 | 101.9 | 18.5 |
| February | 114.8 | 118.9 | 103.5 | 119.0 | 127.9 | 102.0 | 19.4 |
| March | 115.6 | 118.1 | 104.2 | 119.0 | 127.6 | 100.0 | 18.2 |
| April | 116.3 | 116.9 | 105.5 | 118.9 | 128.0 | 100.0 | 18.4 |
| May | 116.4 | 120.7 | 100.9 | 120.0 | 123.0 | 99.0 | 19.8 |
| June | 114.9 | 122.8 | 101.8 | [illegible] | 117.0 | 98.5 | 17.7 |
| July | 115.3 | 123.4 | 103.6 | 122.9 | 120.9 | 97.9 | 18.5 |
| August | 114.7 | 125.3 | 105.6 | 122.0 | 128.0 | 97.0 | 14.1 |
| September | 112.8 | 122.8 | 105.1 | 120.6 | 124.6 | 96.8 | 14.2 |
| October | 114.9 | [illegible] | 104.2 | 125.0 | 124.9 | 94.8 | 15.1 |

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

| | Export volume | Import volume | Visible balance | Current balance | Oil balance | Terms trade | Reserves US$bn |
|---|---|---|---|---|---|---|---|
| 1988 | | | | | | | |
| 1st qtr. | 107.3 | 119.8 | -4,029 | -3,001 | +739 | 97.6 | 44.84 |
| 2nd qtr | 114.9 | 126.2 | -4,536 | -2,781 | +965 | 97.1 | 48.52 |
| 3rd qtr | [illegible] | 134.9 | -5,724 | -3,352 | +627 | 97.2 | 50.48 |
| 4th qtr. | 107.9 | 134.7 | -6,455 | -5,401 | +390 | 96.7 | 51.69 |
| 1989 | | | | | | | |
| 1st qtr. | 112.9 | 140.5 | -6,984 | [illegible] | +258 | 98.7 | 50.46 |
| 2nd qtr. | 114.7 | 140.2 | -5,870 | -5,053 | +396 | 98.9 | [illegible] |
| 3rd qtr. | 119.8 | 149.2 | -6,896 | -6,494 | +320 | 98.2 | [illegible] |
| 4th qtr. | | | | | | | 38.65 |
| January | 117.1 | 145.1 | -2,047 | -1,846 | +116 | [illegible] | 51.71 |
| February | 105.1 | 138.0 | -2,224 | -1,823 | -6 | 98.6 | 51.68 |
| March | 116.5 | 138.2 | -1,703 | [illegible] | +141 | 98.7 | 50.46 |
| April | 110.9 | 140.9 | -2,193 | -1,921 | +119 | 98.9 | 47.28 |
| May | 115.6 | [illegible] | -1,726 | [illegible] | +57 | 98.9 | 46.60 |
| June | 117.7 | 142.1 | -1,951 | [illegible] | +122 | 98.9 | [illegible] |
| July | 116.1 | 148.6 | -2,555 | -2,487 | +75 | 98.2 | 43.63 |
| August | 113.6 | 140.7 | -2,244 | -2,178 | +143 | [illegible] | 43.21 |
| September | 126.6 | 149.3 | -1,899 | -1,831 | +101 | 98.0 | 42.88 |
| October | 120.7 | 142.9 | [illegible] | -1,728 | +165 | 98.3 | 38.88 |
| November | [illegible] | [illegible] | -1,515 | -1,415 | +187 | 98.1 | 38.77 |
| December | | | | | | | 38.65 |

FINANCIAL-Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit‡; all seasonally adjusted. Clearing Bank base rate (end period).

| | M0 % | M2 % | M4 % | Bank lending £m | BS inflow £m | Cnsmer. credit‡ £m | Base rate % |
|---|---|---|---|---|---|---|---|
| 1988 | | | | | | | |
| 2nd qtr | 6.6 | 14.6 | 16.6 | +22,369 | 4,173 | +1,027 | 9.50 |
| 3rd qtr. | 7.7 | 16.8 | 16.5 | +22,492 | 3,152 | +895 | 11.38 |
| 4th qtr. | 7.7 | 16.9 | 17.5 | +19,866 | 3,188 | +689 | 12.76 |
| 1989 | | | | | | | |
| 1st qtr. | 6.7 | 14.7 | 18.1 | +21,152 | 2,881 | [illegible] | 13.00 |
| 2nd qtr. | 5.5 | 11.3 | 18.6 | +20,310 | 1,736 | +936 | 14.00 |
| 3rd qtr. | 5.3 | 9.9 | 17.4 | +28,145 | 2,285 | +882 | 14.00 |
| 4th qtr. | | | | | | | 15.00 |
| January | 7.4 | 16.6 | 18.9 | +7,811 | 784 | +182 | 13.00 |
| February | 6.6 | 15.5 | 18.4 | [illegible] | 1,084 | [illegible] | 13.00 |
| March | 6.1 | 14.7 | 18.1 | +8,290 | 813 | +309 | 13.00 |
| April | 5.8 | 14.5 | 17.9 | +6,322 | 1,175 | [illegible] | 13.00 |
| May | 6.2 | 13.6 | 18.1 | +6,419 | 713 | [illegible] | 14.00 |
| June | 5.9 | 11.3 | 18.5 | +7,689 | -183 | +188 | 14.00 |
| July | 5.2 | 10.1 | 16.5 | +7,743 | 865 | +249 | 14.00 |
| August | 5.1 | 10.1 | 17.3 | [illegible] | 821 | +369 | 14.00 |
| September | 4.5 | 9.9 | 17.4 | +10,446 | 878 | [illegible] | [illegible] |
| October | 5.2 | 9.8 | 17.2 | +5,202 | 704 | +174 | 15.00 |
| November | 5.7 | 10.7 | 17.5 | | 177 | | 15.00 |
| December | | | | | | | 15.00 |

INFLATION-Indices of earnings (1985=100): basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100)

| | Earnings | Basic matls.* | Whsale. mnfg.* | RPI* | Foods | Reuters* cmdty. | Sterling |
|---|---|---|---|---|---|---|---|
| 1988 | | | | | | | |
| 1st qtr. | 95.4 | 96.9 | 111.0 | 103.7 | 103.5 | 1,747 | 75.8 |
| 2nd qtr | 98.7 | 97.9 | 112.6 | 106.2 | 104.6 | 1,817 | 77.6 |
| 3rd qtr. | 100.8 | 98.9 | 113.9 | 108.6 | 104.7 | 1,802 | 75.9 |
| 4th qtr. | [illegible] | 100.1 | 115.2 | 109.9 | 106.7 | [illegible] | 77.5 |
| 1989 | | | | | | | |
| 1st qtr. | 105.4 | 102.9 | 116.8 | 111.7 | [illegible] | 1,974 | 97.1 |
| 2nd qtr. | 108.9 | 104.4 | 118.3 | 114.9 | 110.2 | 2,015 | 93.5 |
| 3rd qtr. | 110.8 | 103.1 | 119.5 | 116.0 | 110.7 | 1,912 | 91.7 |
| 4th qtr. | | | | | | 1,843 | 88.9 |
| January | 104.2 | 104.0 | 116.4 | 111.0 | 107.4 | [illegible] | 97.9 |
| February | 104.6 | 101.9 | 116.5 | 111.8 | 107.7 | 1,884 | [illegible] |
| March | 107.3 | 102.4 | 117.2 | 112.3 | 108.3 | 1,986 | 96.9 |
| April | 107.3 | 103.9 | 117.8 | 114.3 | 109.6 | 2,015 | 95.5 |
| May | 107.5 | 104.7 | 118.3 | 115.0 | 110.3 | 2,010 | 94.9 |
| June | 109.1 | 104.7 | 118.6 | 115.4 | 110.7 | 2,027 | 91.1 |
| July | 110.3 | 102.8 | 119.0 | 115.5 | 110.1 | 1,940 | 92.2 |
| August | 109.1 | 102.7 | 119.5 | [illegible] | 110.6 | 1,902 | 91.6 |
| September | 110.7 | 103.8 | [illegible] | 116.5 | 111.3 | 1,893 | 91.3 |
| October | 111.7 | 104.1 | 120.6 | 117.5 | 112.4 | 1,839 | 89.7 |
| November | | 15.6 | 120.9 | 118.5 | 113.5 | 1,903 | 87.9 |
| December | | | | | | 1,915 | 86.6 |

*Not seasonally adjusted

‡Net changes in amounts outstanding, excluding bank loans.

# Wassall's £52m offer enters final stages

By Andrew Hill

WASSALL has begun a two-week endgame in the hostile bid for Metal Closures Group, the packaging and printing company.

The mini-conglomerate, which is headed by ex-Hanson executives, has declared its £52m offer final. The bid will close on January 24.

Yesterday's Wassall statement was prompted by MCG's second rejection document on Tuesday, which predicted "a significant improvement" in 1990 profits at the company. MCG had already forecast that profits for 1989 would fall by some 45 per cent to £4.5m.

Wassall, which has already built up interests in office furniture and luggage, said that MCG's board had "no credible strategy to lift the company out of its long-term decline". The predator added that the latest document gave shareholders "no convincing reason why they should not accept Wassall's extremely generous offers."

However, Mr Richard Graves, MCG's chairman, said it was "absolute rubbish" to talk about a long-term decline in the company's performance. The group's profits last year were hit by interest rate rises, higher raw material costs and an unfavourable exchange rate, as well as difficulties in its materials handling and contract packing subsidiaries.

Mr Graves said he believed he could count on the support of his shareholders, although Suter, the industrial holding company which is MCG's largest shareholder, has already committed its 29.9 per cent stake to the cash alternative.

"Over a great number of years we have kept a good dialogue going with investors in MCG; they understand the business and that from time to time there are certain difficulties," he said yesterday.

At last Friday's closing date Wassall had received acceptances or owned shares representing 30.7 per cent of MCG.

Mr Christopher Miller, Wassall's chief executive, said: "Major institutions have waited to see MCG this week before making their minds up."

The Wassall cash-and-shares offer values each MCG share at just over 200p, against a market price of 196p, up 6p on yesterday's news.

# Food Industries presses on with merger proposal

Food Industries, the Dublin-based company 70 per cent owned by Mr Larry Goodman, is pressing ahead with its plans for merging three dairy co-operatives with its dairy division despite two of the co-ops planning alternative proposals.

The company added that it would make a further announcement when it had studied the plans.

Under its own proposals Food Industries has placed a total market value of I£101.5m (£97m) on United Dairies, the company which would be formed under the plans. The details of the proposed deal showed that the members of the co-ops were being offered more favourable terms than Food Industries' holders as an incentive for them to agree to the amalgamation.

The three co-ops in the north-east of the Irish Republic would be valued at I£61.5m, giving a p/e of 14.5 on pro forma earnings. The dairy division, with a value of I£40m, would have a p/e of 11.

A majority of the shares in United Dairies would be held by farmer members of the co-ops.

Other terms include placing a full value on the shares of the new company rather than being pegged at £1 and the creation of an internal market in the company's shares. There would be an external market created by the ability to convert into Food Industries shares at the rate of 1-for-3.2.

## IN BRIEF

ACORN INVESTMENT TRUST: losses increased sharply in the year to October 31. The company reported a deficit of £49,621, against £27,050 previously. Administration expenses jumped to £59,174 (£30,724) and directors fees and bonuses took £30,767 (£10,832). Net asset value per £1 share came to 100.97p (87.53p). After tax of £1,281 (credit £35) the deficit per share came to 1.59p (0.84p).

LONDON AND MANCHESTER Group has bought Bourne and Smith, Paignton-based estate agent, surveyor and valuer, for £225,100, satisfied by the issue of 63,408 shares.

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Alexanders | fin | 1 | Mar 23 | 1 | 1 | 1 |
| Banks (Sidney) | int | 2.5 | - | 2.125 | - | 7 |
| Barr (AG) | fin | 9.75 | Apr 7 | 9.75 | 13 | 13 |
| Bespak | int | 2.6 | Feb 23 | 2.25 | - | 6 |
| Cowan de Groot | int | 1.25 | Feb 10 | 1.25 | - | 2.5 |
| Econ Forestry § | fin | 2.25 | - | 2 | 3.5 | 3.25 |
| Fairbriar | int | 1.25 | Feb 27 | 1.7 | - | 5 |
| First Technology | int | 3† | Feb 22 | 2.5 | - | 7.5 |
| Horne (Robert) | fin | 6 | Feb 26 | 5.75 | 8.5 | 8.25 |
| M&G Dual | fin | 26.6 | - | 25 | 51.8 | 45.2 |
| Markheath | int | 2 | - | 1.5 | - | 5 |
| PRS § | int | 1 | - | - | - | 2.5 |
| Sheafbank Prop | int | 0.1 | Mar 2 | 0.1 | - | 0.75 |
| Sthrn Business § | fin | 4.95 | Feb 28 | 3.8 | 7.031 | 6.01 |
| Torex Hire § | fin | 1.6 | Mar 22 | 0.04 | 2.4 | 0.04 |
| VPI Group | fin | 0.5 | Feb 27 | 2.5 | 1.8 | 3.5 |
| Wyko Group § | int | 1.4† | Apr 6 | 1.25 | - | 3.25 |

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market.

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- de Morgan, Investment Co., Jones Stroud, Multitone Elects., Neotronics Technology, Nobo, Northumbrian Water, South West Water, Southern Water, Zetters.

Finals- Daily Mail & General Trust, Dewhurst, TSB.

FUTURE DATES

Interims-

| | |
|---|---|
| Aerospace Engineering | Feb. 1 |
| Clark (Matthew) | Jan. 18 |
| Cook (DC) | Jan. 19 |
| Geevor | Jan. 12 |
| Haynes Publishing | Jan. 29 |
| Heath (Samuel) | Jan. 22 |
| Jarvis | Jan. 18 |
| Kingsgrange | Jan. 23 |
| New Central Witwatersrand | Apr. 11 |
| Palmerston Hldgs. | Jan. 16 |
| Property Security Inv. | Jan. 24 |

Finals-

| | |
|---|---|
| Anglo American Corp S.A. | Jun. 4 |
| Anglo American Gold Inv. | Mar. 9 |
| Anglo American Inv. Tst. | Apr. 11 |
| De Beers Cons Mines | Mar 6 |
| Elandsrand Gold | Jan. 18 |
| Eurotherm Int'l. | Jan. 18 |
| Free State Cons Gold | Apr. 19 |
| Orange Free State Inv. | Apr. 19 |
| Rugby | [illegible] |
| South African Land & Exp. | Jan. 18 |
| Southvaal | Jan. 18 |
| Vaal Reefs | Jan. 19 |
| Welkom Gold | Apr. 19 |
| Western Deep | Jan. 18 |



## NEWS DIGEST

# AG Barr falls 12% to £2.9m

AG BARR, the Glasgow-based soft drinks manufacturer most famous for its Irn-Bru brand, saw taxable profits fall 12 per cent from £3.32m to £2.94m in the year to October 28.

The company ascribed the decline to difficulties associated with the reorganisation of the PET bottle making and filling arrangements in the peak summer period, though they have now been addressed.

Mr WRG Barr, chairman, said that turnover to the end of December was marginally ahead of the previous year. He added that while Barr brands had achieved a satisfactory increase, the company's sales of own-label products had been much less buoyant.

Turnover in the period rose from £73.12m to £88.5m and there was a substantial rise in net interest and dividend received, from £959,000 to £1.98m. Earnings slipped from 37.73p to 32.21p per share, and the proposed final dividend is maintained at 9.75p for an unchanged total of 13p.

There was an extraordinary credit of £1.05m (£210,000).

## Alexanders' edges ahead to £1.81m

Alexanders Holdings, Glasgow-based Ford main dealer, saw its taxable profits edge ahead from £1.73m to £1.81m for the year to end-September. Turnover declined from £84.5m to £80.35m.

Earnings worked through at 3.56p (3.15p) and the dividend is a same-again 1p.

## Expanding Cowan little changed

Cowan, de Groot, the industrial holding company, yesterday reported profits of £1.15m pretax for the half year ended October 31. For the corresponding period of the previous year profits totalled £1.36m but included £326,000 from the disposal of fixed assets.

Cowan also revealed that it was expanding its hardware activities via the acquisition of Harper Lee, a wholesaler to the trade in north and east London, for £1.06m in cash.

First half profits were struck from a turnover of £17.98m (£19.6m). Earnings amounted to 2.5p (3.7p) and the interim dividend is a same-again 1.25p.

During the period the newly-formed property dealing company acquired three commercial properties, two of which were sold at a total profit before tax of £350,000.

Mr Jonathan Samuelson, the chairman, said group profits were predominantly earned in the first half. He added that with the benefit of the restructuring of the traditional businesses and planned acquisitions Cowan was well placed for future growth.

## Small rise to £2m by Economic Forestry

Economic Forestry Group, engaged in urban forestry, landscaping and complementary activities, produced a pretax profit of £2.01m for the year to October 1 compared with £1.94m the previous year.

Lord Rees, the chairman of this USM-quoted company, said the group had made good progress with organic and acquisitive growth contributing to the increase in profit, achieved despite a major decrease in the sale of tree seedlings.

He said the group's policy of expansion across a broad range of complementary activities, particularly garden leisure products, had continued successfully.

Sales rose from £37.05m to £42.26m and the gross profit emerged at £7.73m (£6.06m). Tax took £531,000 (£574,000) leaving earnings at 10.18p (9.8p). A final dividend of 2.25p (2p) per share makes a proposed total of 3.5p (3.25p).

## UK COMPANY NEWS

# W Alexander set to change hands

By Clare Pearson

WALTER ALEXANDER, the family-controlled Scottish industrial group, is expected to announce next week the sale of the bulk of its businesses to a single buyer in a deal which values the company at about £32m.

This follows an announcement yesterday that agreement had been reached on the separate disposal of the home textiles division, believed to have been the stumbling block in negotiations with potential buyers of the other operations.

The £32m price, which takes in cash released through the home textiles sale, represents a value of about 112p per share. That compares with Walter Alexander's closing price last night of 121p, down 12p.

Alexander yesterday announced the disposal of Slumberdown, the UK duvets and quilts business, and said Comfort-Carousel, the US bedroom textile operation, had already been sold for a nominal sum.

The company, where about 60 per cent of the shares are family-controlled, announced in October that it wanted to transfer its activities to new ownership to allow the Alexanders to cash in their holdings.

The rump of the business, which comprises four main divisions – filtration, DIY distribution, coachbuilding and liquid fuel distribution – is expected to be bought by one privately-owned purchaser.

Slumberdown, badly hit by mild weather and the slowdown in consumer spending, is to be sold to Rabatz, a newly-formed home textiles concern, in a deal which releases about £2.75m for the company.

The consideration for Slumberdown is £1.75m. This is being satisfied with a cash payment of £1.25m, and £500,000 worth of cumulative convertible redeemable preference shares, which are being passed on to another party for £200,000. The resulting cash consideration of £1.45m is exactly cancelled out by repayment of inter-group debt, but Slumberdown will retain its £2.75m worth of bank borrowings.

Comfort-Carousel was recently sold to the trustee for its creditors for $1 (60p). Walter Alexander has retained a $2.32m loan note which is subordinate to the claims of the business's other creditors, and from which it does not expect to recover more than $740,000.

Walter Alexander is believed to have found it necessary to sell the home textiles division to generate interest from potential purchasers. Discussions with about three parties have now narrowed down to advanced stage talks with one would-be buyer.

Rabatz is putting Slumberdown together with McIntosh, a similar business, to create a £30m turnover operation in the UK home furnishings market.

Slumberdown made a loss before tax of £431,000 in the year to end-March 1989. The consideration is based on its having net assets of £2.5m, and will decrease by any amount by which they fall below this level.

As a group, Walter Alexander made pre-tax profits of £2.39m (£6.51m) on sales of £96.7m (£95.4m) in the year to end-March 1989.

# First Technology shares fall after 59% advance

By Andrew Bolger

FIRST TECHNOLOGY, the automotive, fire, security and safety systems group, yesterday reported a 59 per cent increase in pre-tax profits to £3.1m in the six months to October 31.

Turnover grew by 70 per cent to £20.6m and earnings per share rose by 11 per cent to 13.2p (11.9p).

Mr Fred Westlake, chairman, said First Technology had invested heavily in automotive-related production and development facilities in both the UK and US.

Last May First Technology bought Alderson Research Laboratories, a maker of crash safety dummies based in Stamford, Connecticut.

Mr Westlake said that together with Humanetics, which it bought in 1988, First Technology now owned the world's two leading manufacturers of crash dummies and they would be brought together in a new crash and safety technology centre in Detroit.

Mr Westlake said that in the short term, the slowdown in US new car sales, which began in the second half of 1989, seemed likely to continue at least through the early part of this year.

Fire and security operations, which accounted for about 27 per cent of group turnover, had performed well, with order books remaining strong.

The interim dividend increased by 20 per cent to 3p. Shares closed at 495p, down 5p.

● COMMENT

Although slightly below City expectations, a 59 per cent increase in pre-tax profits is not to be sniffed at, particularly by a group which is investing heavily in new plants and design products. Margins have been squeezed by the slowdown in US car sales and the moving to Detroit of the ARL car safety dummy manufacturer, which made no contribution to profits. The US slowdown must be the group's major concern, but it is only really exposed on the sensors side of its business, with safety dummies and vehicle design being much less cyclical. Forecast earnings of £7.4m and earnings of 32.5p put it on a prospective multiple of over 15. That is expensive for a low-yielding share which seem unlikely to do much in the current year, but investors will next year hope to see the benefit of the current heavy capital investment programme.

# Southern Business climb to £10.3m pleases City

By John Thornhill

SOUTHERN BUSINESS Group, the USM-quoted photocopier and vending machine contractor, lifted pre-tax profits by 51 per cent from £6.81m to £10.25m in the year to September 30.

Turnover rose 72 per cent to £33.23m (£19.31m). The City welcomed the results and the company's shares climbed sharply to close up 33p at 563p.

Southern leases photocopiers and vending machines and, after a certain threshold, charges its customers according to use.

The company currently has 17,000 photocopying contracts which produce about 100m photocopied sheets a month.

Two photocopying businesses bought during the year – GKW Group in March and Sandhurst Marketing in August – were now being successfully integrated.

Mr David McErlain, managing director, said the company was trading at record levels and that forward contracted income at the year-end stood at £220.7m, a 47 per cent increase.

Earnings per share were 35 per cent higher at 41p (30.4p). The final dividend was 4.95p making a total of 7.83p (6.01p). A three-for-one scrip issue was proposed.

● COMMENT

Southern continues to produce its impeccable profits growth with such apparent ease that one is left wondering – where's the catch? The question seems to baffle the company's followers and there seem few reasons why the steady growth will not continue. A shrewd management team with an effective incentive scheme, a near-obsessive emphasis on service quality, and a financial sleight-of-hand that enables it to charge its customers for each sheet they photocopy and each drink they consume, offers a pretty convincing package. Higher interest charges resulting from the cost of acquisitions and gearing of more than 30 per cent will certainly nibble away at earnings. And the low tax rate of about 10 per cent will only continue if expansion continues and selling costs can be capitalised. But even so forecast pre-tax profits of £14m – giving a prospective multiple of around 10 – seemingly offers good value, especially as the company has a lot of business to aim for with only an estimated 4 per cent market share.

# Maxwell sells stake in Monotype to Pointplus

By John Thornhill

POINTPLUS is on the verge of winning control of Monotype after buying a 7.38 per cent shareholding in the typesetting company from Mr Robert Maxwell yesterday.

This takes the US investment vehicle's stake to 49.75 per cent, just short of the 50 per cent threshold. It has, however, also received acceptances in respect of a further 2.4 per cent of Monotype's shares – but these are not yet backed by their shareholder certificates. When these are received, probably later this week, Pointplus will declare its 161p per share bid unconditional.

This development looks set to bring to an end the skirmish that broke out for control of Monotype last month. Pointplus, an investment vehicle for King Black & Associates, a US-based investment group, originally launched an agreed £32m offer for Monotype in November.

One month later Mr Robert Maxwell launched a £34m offer, but within an hour-and-a-half this was topped by a higher bid from Pointplus.

Monotype – which is one of the oldest names in the printing technology industry – produces, supplies and services laser-based photo-typesetting machines. It supplies several newspapers, including Mr Maxwell's Mirror Group Newspapers, with which it also has technical collaboration agreements.

One of Pointplus's advisers speculated last night that Mr Maxwell had originally made his offer for Monotype to ensure that the group remained in safe hands but, having found out more about Pointplus, he was now confident that his source of supply was secure.

Mr Maxwell had no comment to make yesterday.

# Bear Brand confident of Leisure success

By Andrew Bolger

Bear Brand, a small quoted "shell" company was last night confident that its all-paper offer for Leisure Investments, the troubled leisure group, had been accepted by more than half of LI's investors at yesterday's first close.

Mr Nicholas Oppenheim, chairman of Bear Brand, said he would be making a statement today about Leisure, from which the Forsyth brothers resigned as chairman and finance director in November.

The recommended offer values Leisure at £80m. Bear Brand is offering three shares for each ordinary share, 20 ordinary for every three preference and six ordinary for each 1988 preference share.

Bear Brand shares closed unchanged at 16p whiles Leisure was 2p down at 23p.

Yesterday the offer was unanimously approved by an egm of Bear Brand shareholders. Its was also cleared by the Trade and Industry Secretary, following a recommendation by the Director-General of Fair Trading.

The Bear Brand reconstruction plan comes in the wake of a report on Leisure's financial position by accountants Stoy Hayward which was instituted by Mr Edward Vandyk, the group's recently-appointed chief executive.

As a result, Leisure said that the combination of a "significant interest burden in 1989 and anticipated writedown" – and in spite of a heavy asset disposal programme – meant there would be a deficit on distributable reserves.

# West German buy for Smurfit

Jefferson Smurfit, the Dublin-based paper and paper packaging group, has bought CD Haupt, a private company based in North Hessen, West Germany, for an undisclosed price, thought to be substantially more than Haupt's I£14.7m asset base, writes Maggie Urry.

Haupt, which has an annual turnover of some I£70m, produces 250,000 tonnes of recycled paper a year from two mills for the corrugated box and the graphic board markets.

As a result of the acquisition Smurfit has postponed its plans to build a mill in central Europe.



# Lovell buys 1% of Higgs & Hill in the market

By Ray Bashford

YJ LOVELL yesterday intensified the fight for control of Higgs & Hill, when it purchased further shares in its competitor in the housing and construction industry in the market.

Lovell is believed to have picked up 450,000 shares owned by Mercury Asset Management, the 75 per cent-owned subsidiary of SG Warburg. They represent slightly more than 1 per cent of Higgs & Hill's capital and lift Lovell's holding to 14.3 per cent. The parcel is believed to have been purchased at 428p per share.

After falling steadily since Lovell announced its revised takeover offer last Friday, Higgs & Hill shares advanced throughout the session yesterday and closed 10p up at 432p.

Higgs & Hill yesterday also stepped up the pace of the fight by again claiming that the offer represented an exit multiple of 8.7 times 1989 earnings. This, it said, substantially undervalued the company.


Sir Brian Hill: revised offer undervalues company

Lovell was entitled, under the Takeover Code, to purchase a maximum of 7.2 per cent of Higgs & Hill's capital having launched the bid with a 2.7 per cent stake. If it bought more more than 9.9 per cent of the capital a cash offer would have to be made.

Lovell's revised offer contained two cash and share alternatives. Based on yesterday's closing price of 248p the offer values Higgs & Hill shares at 489p.

Higgs & Hill's letter to shareholders said: "Lovell's offer is totally inadequate for a company with the reputation and quality of Higgs & Hill and contains no premium for control."

Based on the latest offer, Higgs & Hill calculates that the construction business is valued at £18m, representing "a totally unrealistic" earnings multiple of 3.1.

It said there was no foundation for Lovell's argument that a merger of the two businesses had a strong commercial logic.

# North West Water tops £15m

By Andrew Hill

NORTH WEST Water Group, second largest of the 10 recently privatised water companies, made £15.1m before tax in the six-months to September 30.

The company said it was confident of meeting its forecast of full-year profits of £70m before tax – contained in the offer prospectus, and be able to recommend a final dividend of 10.47p which would be paid in October.

North West's turnover in the period to September, well before privatisation, was £247m.

Pro forma, assuming the industry's new capital structure had been in place since April 1, the water company would have made £81.3m after tax with earnings per share of 22.8p.

North West's shares have risen from a partly-paid offer price of 100p as high as 164p. Yesterday the shares slipped 4p to 153p.

On a fully-paid basis that means North West is now worth about £1.04bn. Severn Trent is worth almost exactly £1bn and Thames, the only one of the 10 companies to be part of the FT-SE 100 index, has a fully-paid market capitalisation of £1.14bn.

# Wessex on target for full year

WESSEX WATER is on target to meet full-year profit and dividend forecasts contained in the water privatisation prospectus, writes Andrew Hill.

The water company, 6 per cent of which is owned by Lyonnaise des Eaux, the large French water supplier, made £8.8m before tax in the half-year to September 30.

Mr Colin Skellett, Wessex's managing director, said the company had originally hoped to talk to Lyonnaise, which also has stakes in Severn Trent and Anglian Water, at the end of this month, but no date had yet been fixed.

Wessex said it was confident of making at least £25m before tax in the year to March 31, as forecast in the prospectus, and recommending a single full-year dividend of 10.14p.

Turnover in the first half was £73.6m and there was an extraordinary charge of £3.3m covering privatisation and restructuring costs.

Adjusting the interest costs as though the new capital structure had applied from the beginning of the six-month period would have given Wessex pro forma profits after tax of £27.6m and earnings per share of 26.9p.

Yesterday, partly-paid Wessex shares slipped 4p to 165p in a weak market.

● Mercury Asset Management confirmed yesterday that clients had acquired the following stakes in water companies: 13 per cent of Southern Water, 10 per cent of South West, Wessex and Northumbrian, 8 per cent of Yorkshire, 7 per cent of Anglian, 5 per cent of Thames, 3 per cent of North West and Welsh, and a minimal stake in Severn Trent.

The investment group, a subsidiary of SG Warburg, has not had to declare individual holdings because the shares are owned by a variety of funds and trusts under the Mercury umbrella.

# Comet profit figures differ

By Maggie Urry

STATUTORY accounts of Comet, the electrical retailer owned by Kingfisher, currently bidding £568m for Dixons, show pre-tax profits of £19.4m for the year to end January 1989. In the Kingfisher group accounts, Comet is shown to have made £25.5m.

Kingfisher has previously attacked Dixons on the basis of information gathered from its subsidiaries' statutory accounts and the Form 20-F filed in the US.

However, Mr Archie Norman, finance director of Kingfisher, said yesterday: "It is extremely difficult to tell anything from statutory accounts." The Kingfisher attack on Dixons had been based mainly on the Form 20-F.

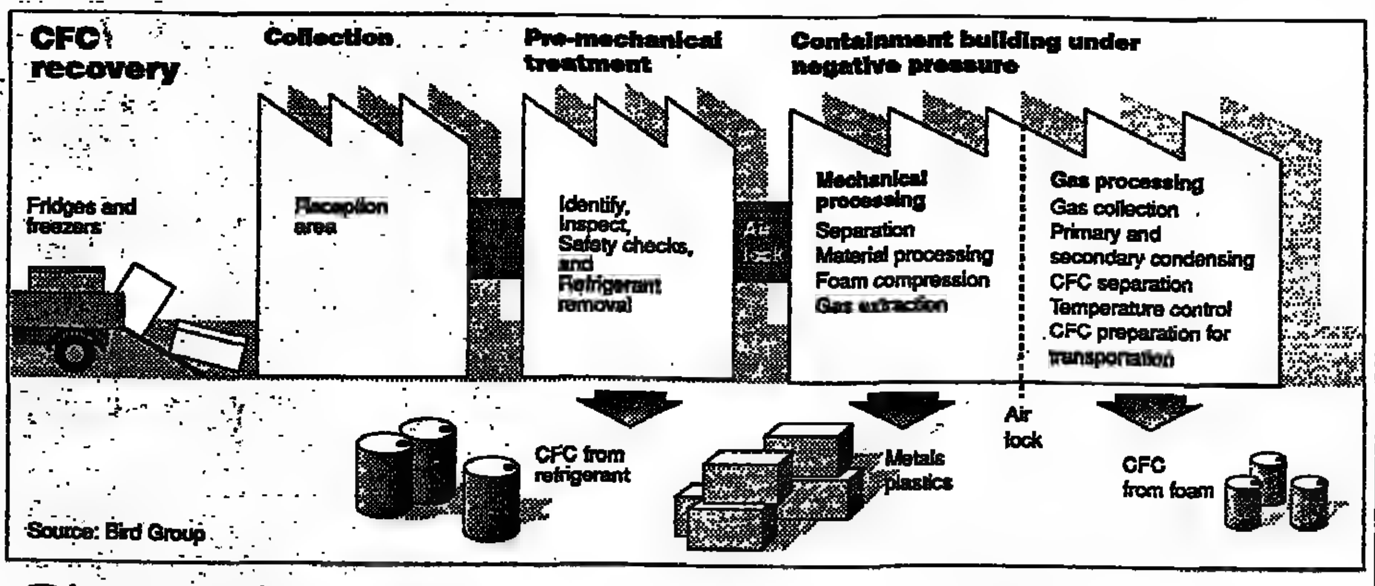
He said the Comet accounts did not include the profits of Ultimate, acquired in late 1987, although these profits were credited to Comet in the Kingfisher accounts.

In the Comet accounts, filed at Companies House, the pre-tax profit rose by less than 10 per cent in the last full year, while in the Kingfisher accounts it is credited with a near 27 per cent rise.

Mr Norman said a reorganisation during 1988-89 had meant that part of the Comet operation had been transferred to another group company, Halcyon Retail Services.

During the current year, Comet's fixed assets have been transferred to Kingfisher's Chartwell property company.

## TECHNOLOGY



Source: Bird Group

# Saving the atmosphere from old fridges

**Clive Cookson** explains a plan to set up recycling centres for CFCs

A chain of recycling centres to remove all chlorofluorocarbons (CFCs) from old refrigerators and freezers is to be set up in the UK within the next few years.

The plan is the result of industrial collaboration between Lindemann Maschinenfabrik, the West German engineering company; the Bird Group, a British metals recycling specialist; and ICI, one of Europe's largest CFC manufacturers.

CFCs are regarded as one of the main threats to the global environment, because they both destroy the protective ozone layer in the upper atmosphere and act as "greenhouse gases" affecting the climate.

Although most industrialised countries have agreed to phase out the production of CFCs, adequate substitutes have not yet been developed for many applications. Demand for recycled CFCs is, therefore, likely to grow strongly as chemical companies are forced to cut production of the original materials.

Refrigerators and freezers in use today contain a huge "bank" of potentially recoverable CFCs, estimated by ICI at 2m tonnes world-wide – or about twice the world chemical industry's annual production of CFCs.

The UK alone has 30m domestic fridges and freezers, each containing at least half a kilo of CFCs, and Tony Bird, joint managing director of the Bird Group, says that 1,500 tonnes a year are released into the atmosphere by scrapping these appliances.

The problem is that most of the CFCs are not contained in the liquid refrigerant, which is relatively easy to remove and recycle, but in insulating foam in the appliances' walls and doors. An average fridge has 150 grams of CFC refrigerant (usually CFC 12) mixed with 350 grams of lubricating oil, and a further 500 grams of CFC blowing agent (usually CFC 11) dispersed within 4 kilograms of polyurethane foam.

Many countries have recently started piecemeal schemes, supported by local authorities and appliance and CFC manufacturers, to pump the refrigerant out of redundant appliances for purification and recycling. But no one yet has an operational system to tackle the far more difficult task of removing CFCs from insulating foam.

"Britain and Germany are taking the lead internationally on the issue of recycling CFCs from domestic appliances," says Fiona Weir, air pollution campaigner for Friends of the Earth. "In the US, they are paying little attention to domestic appliances and concentrating on recycling CFCs from car air-conditioning units."

American companies are also leading attempts to reduce consumption of CFCs in large-scale commercial refrigerators. This week, for example, Carrier, a United Technologies subsidiary manufacturing cooling and heating equipment, launched a Refrigeration Management System that will enable the operators of commercial chillers to recover, clean and re-use their own CFC coolants when the plant is shut down for servicing. Traditionally these coolants are allowed to evaporate during maintenance – or thrown away and replaced by fresh CFC.

The Lindemann-Bird-ICI partnership hopes to have the world's first complete fridge and freezer recycling station, which would remove *all* CFCs from domestic appliances, in operation by the end of 1992. If this pilot plant worked well, it would be possible to set up a nation-wide chain of eight to 10 stations by 1995, which could process 90 per cent of Britain's redundant fridges and freezers.

Similar chains would be built in Germany and other European countries. Manfred Adolf, Lindemann's sales director, says that some *Länder*, such as Hessen, are stockpiling old fridges (after pumping out the refrigerant) until the plant exists to remove CFCs safely from the insulating materials.

Although the partners need to do more research and development work before building the pilot plant, the general outline of the process is now clear:

- Appliances are brought to a reception centre by individuals, local authorities or retailers who have accepted them in part exchange for a new model. They are inspected and coded according to the CFCs present in the refrigerant and insulation.
- The liquid refrigerant/oil mixture is pumped into sealed containers by means of specially designed suction tongs.
- The appliances pass through an air lock into the main processing plant. This is an insulated, gas-tight building maintained under "negative pressure" – the pressure inside is less than the atmosphere outside, so that any leakage results in air coming into the building rather than CFCs escaping.
- Automated mechanical processing equipment separates the insulating foam from other materials, particularly metal and plastics, which can be sent for conventional reclamation and recycling.
- The insulating foam is compressed and all the CFCs sucked into a gas processing plant. The CFCs are extracted from any other gases present and purified through a multi-stage cooling and condensation process.
- The CFCs are sent in sealed containers to ICI for further processing and eventual re-use. Laurence Williams, ICI product manager, says recycled CFCs can be made as pure as "virgin grade" chemicals.

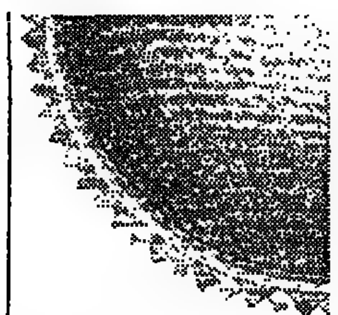
"Each individual stage uses known technology, but no one has ever tried to link them together before," Bird says. "I believe that no other grouping has a better chance of surmounting the difficult technical barriers ahead to establish safe recycling plants."

The venture will require assistance from national governments and the European Community if it is to succeed. The partners are requesting financial contributions first to the research and development programme and later to building the CFC recycling stations – the cost of building a British chain is estimated at £50m. They also need legislation to force people to take their old fridges to a recycling plant instead of dumping them.

According to Bird, the initial UK Government response has been "enthusiastic and encouraging." A spokesman for the Department of the Environment said: "They are first in the field and we are looking at their proposals enthusiastically, but we cannot make a commitment until we have completed a study of CFC recycling."

Friends of the Earth will be pressing the Government not only to support CFC recycling at home, but also to help transfer the technology to developing countries. "The most exciting thing about this project is the effect it could have in countries such as China and India which are rapidly increasing their consumption of CFCs," says Fiona Weir. "If, over the next decade, we can recover the CFCs banked in existing equipment, we'll be able to phase out production sooner than would otherwise be possible."

Manfred Adolf, of Lindemann, says that once the recycling process has been perfected for fridges and freezers, it could be extended to many other materials containing CFC-blown insulating foam, such as those used by the building industry.



## WORTH WATCHING

Edited by Della Bradshaw

### Fog warning system for M25

THIS WEEK'S 43-vehicle crash on the M25, which left five dead, has highlighted the need for effective fog warnings on motorways.

The UK Department of Transport is installing a new fog warning system on London's orbital motorway and monitoring the extent to which motorists slow down.

The fog sensors, developed by Pharos Marine, of Brentford, send out infra-red signals and then measure the amount of light scattered in the return signal to calculate the fog density.

When fog is detected, the sensors automatically switch on a warning light on the motorway and inform the police control centre.

To measure the effectiveness of the warning system in persuading drivers to slow down, sensors, designed by Redifon, of Leatherhead, will be installed in each motorway lane, before and after the warning lights. Speeds are monitored by comparing the figures from the two sets of sensors.

### Sprung base for a close shave

A CLOSER and safer shave is the promise of a new type of razor developed by Gillette, the international razor company.

The Sensor razor, to be launched in the UK in March, is a dual-blade system but, unlike previous implements, the blades are not fixed. Instead they are independently sprung, with each blade welded on to a metal support. The supports rest on moulded plastic springs.

This arrangement, says Gillette, helps the razor glide more easily over the bumps and pimples of the face.

### A 3-D tag for components

HOLOGRAMS are for more than just decoration. A project involving three European companies is developing a way of using the three-dimensional novelties for the very serious task of tagging industrial tools and components.

The holographic label is intended as an alternative to bar codes or radio frequency tags. The advantages of the hologram are its small size – typically one centimetre square – and its resistance to damage: information can still be retrieved if 70 per cent of the surface area of the hologram is obscured.

This will be achieved using Digital Paper – a flexible, optical, data storage material from ICI Imagedata – and laser reading and writing technology from Krupp, of Essen. The machine tool know-how is being provided by Mandelli, of Piacenza in northern Italy.

Academic partners in the £2.3m European Commission Esprit project are the University of Oporto in Portugal and Kings College London.

### A little help for nurses

NURSING shortages in US hospitals are being eased by a child-sized robot called Helpmate.

The electronic assistant frees nurses from fetching and carrying so that they can spend more time with patients.

Central to the success of Helpmate, developed by Transitions Research Corporation (TRC), of Danbury, Connecticut, is that it memorises the layout and location of every department in the hospital, so that it can travel around without cables or tracks.

When the kitchen, say, wants Helpmate to carry a meal to a patient, the location of the recipient is tapped in using a keyboard and screen – like those on a personal computer – sited on the back of the robot. Recalling its internal map, Helpmate travels round the hospital using infra-red vision and ultrasound techniques to avoid obstacles. To change floors, Helpmate summons the lift.

When the item has been delivered, the recipient presses a return button and the machine goes back to its department.

### Hard-wearing Soviet floor

A SOVIET innovation in flooring could provide a safe and hard-wearing surface for companies handling acids and other corrosive substances.

The Karpol floor comprises an unbreakable plastic sandwich, which is resistant to acids, alkalis and salts.

Developed by the Montazhkhimzashchita trust in Moscow, and reported by the Novosti Press Agency, the floor has a backing of concrete covered with an epoxy resin and a layer of soil. On top of that is a half-millimetre-thick layer of chemically resistant resins and liquid rubber, which will not crack or peel.

That is covered with a layer of a proprietary material and finished off with a coating of polymer – such as polyurethane or acryl – which can be coloured to the company's choice and makes the surface easy to clean.

### Key to growth in first stomach

COWS which produce more milk and sheep with thicker woolly coats are likely to be the long-term benefits of an Australian project to genetically manipulate the micro-organisms living in the stomachs of ruminants, including cattle, sheep, deer and goats.

The research is based on the principle that the more amino acids are produced in the ruminant's first stomach by the breakdown of fibrous plant material, the more the animal will grow. To produce more amino acids, the researchers are genetically modifying some of the bacteria in this forestomach, or rumen.

The research team at the Waite Agricultural Research Institute, near Adelaide, which has been working on the project for five years, has already discovered a technique to introduce new genes into at least one bacterial species from the rumen.

CONTACTS: Pharos Marine: London, 568 8799. Redifon: UK, 0293 518555. Gillette: US, 617 421 7000. ICI: UK, 0707 323400. Krupp: West Germany, 201 1881. Mandelli: Italy, 523 7933. TRC: US, 203 798 8988. Novosti: USSR: 095 201 5620. Waite Agricultural Research Institute: Australia, 08 372 2357.

## COMMODITIES AND AGRICULTURE

# MacSharry to study farm aid projects in Warsaw

By Tim Dickson in Brussels and Bridget Bloom

THE NEXT stage of the European Community's food aid programme for Poland is likely to be advanced at meetings in Warsaw today between the EC's Agriculture Commissioner Mr Raymond MacSharry and representatives of the Solidarity-led Government.

Mr MacSharry, who is due to meet Mr Tadeusz Mazowiecki, the Prime Minister, as well as other senior Government Ministers during his two-day trip, will among other things examine agricultural projects submitted by the Poles for financing under the so-called "Counterpart Fund."

This is the fund to be provided by selling some Ecu125m (£90m) worth of surplus EC food – including 500,000 tonnes of bread-making wheat, 200,000 tonnes of barley and 10,000 tonnnes of beef – sent to Poland from EC intervention stores. One of the issues yet to be decided under the operation is what exchange rate should be used for converting the zloty into hard currency.

Of equal interest to the Poles is the second tranche of aid which has been indicated by the figure of Ecu300m set aside in the EC's 1990 budget for food aid, agricultural inputs and other measures for Poland and Hungary.

The aim of the programme is to help Poland restructure and improve its agricultural sector, which, with fishing and forestry, is second only the mining and manufacturing, employing some 5m people.

Although some 80 per cent of Poland's farms are privately-owned they are small and dependent on the state for necessary inputs.

Experts believe that in the short term the principal need is for relatively sophisticated farm implements and other yield-boosting inputs.

Longer term, Poland is expected to seek access to western technology and business management skills in a bid to improve efficiency in its sizeable food processing sector.

# Challenge to US sugar scheme fails

By Tim Dickson

THE EUROPEAN Community's politically-charged challenge of the US's restrictive sugar regime appears to have failed on a technicality, according to the conclusions of a still-confidential report by the Geneva-based General Agreement on Tariffs and Trade.

The decision will come as a blow in Brussels after last month's ruling by an independent Gatt panel which condemned the EC for subsidising its oilseed producers.

At issue in the sugar dispute is a so called "waiver," which has operated in the US since the 1950s and which enables the US Government to protect its own farmers by imposing import restrictions on sugar containing products as well as charging import fees on refined sugar.

Results of the latest Gatt investigation – which followed a tit-for-tat complaint by Brussels after Washington's decision to question the legitimacy of the EC's oilseeds system – have been disclosed to both parties but will not be formally published until later this month.

It is understood that the Gatt panel concluded that the basis of the EC complaint was invalid because the administration of the "Section 22" waiver of the 1933 Agricultural Adjustment Act is a derogation from existing Gatt rules. However, the report is also thought to point out that the EC could re-submit its challenge on a different basis such as the nullification or impairment of Gatt benefits.

This may yet happen but another option for the EC would be to throw the question into the negotiations which are now starting as part of the final phase of the "Uruguay Round" of global trade talks.

# Ugandan agriculture, a shadow of its former self

## Julian Ozanne on the bitter legacy of years of strife and mismanagement

WHEN FORMER President Idi Amin expelled the Ugandan Asian community in 1972 the Madavani family controlled 10 per cent of the country's gross domestic product and had a massive family fortune founded on 22,000 acres of lush, rolling sugar cane fields at Kakira.

In those days the Kakira Sugar Works produced 90,000 tonnes of sugar a year, much of it for export. Since 1984 it has produced not a single grain.

The history of Kakira epitomises the rapid decline of Uganda's agriculture. In 1972 the company was expropriated and the Madavanis replaced with inefficient government management. Production fell dramatically in the 1970s and the machinery was run down as a result of foreign exchange shortages and the dislocation caused by civil war. New factory equipment ordered by the government from Italy lay abandonned.

The Madavanis returned to Uganda in 1980 after the downfall of Idi Amin. Most of the cane fields were overgrown, the labourers had fled and the buildings were dilapidated almost beyond repair. A joint venture was negotiated with the Government for rehabilitation of the estate but shortages of capital, family squabbles and the return of civil war knocked this plan off course.

A new agreement was negotiated with the Government of President Yoweri Museveni who came to power in 1986. A financing package worth $68m was secured from the World Bank and the African Development Bank for rehabilitation. Most of the plantation has now been cleared and the railway and road network repaired. By 1991 it is hoped that Kakira will be back in full operation, producing 90,000 tonnes of sugar and saving the country $45m a year in foreign exchange.

That Uganda has had to import sugar for more than six years is a sad reflection on a country which is widely recognised as having one of the best climates and most plentiful supply of fertile land in Africa.

**Agriculture is still the main engine of economic growth, accounting for almost 75 per cent of GDP, 40 per cent of government revenue and more than 90 per cent of exports**

In the early 1970s Uganda had a booming agricultural sector. It was self-sufficient in food crops and had substantial exports of cotton, coffee, tea and tobacco. Throughout the 1970s and early 1980s production fluctuated widely as a result of civil war and wide swings in producer prices.

Expropriation of farms and estates; an over-valued exchange rate which discriminated against exports; the almost complete destruction of roads and transport; critical shortages of foreign exchange for imports; incessant hyper-inflation which forced small farmers into subsistence agriculture and the stifling hand of state marketing corporations further compounded the crisis.

By 1986, when President Museveni's guerrilla army stormed Kampala and seized power, many farmers had fled their homes and their farms had reverted to bush.

The agriculture sector is still the main engine of economic growth. It accounts for almost 75 per cent of GDP, 40 per cent of government revenue and more than 90 per cent of exports, while employing 80 per cent of the working population. But Ugandan agriculture is a shadow of its former self.

Today Uganda is a net importer of wheat, rice and sugar. Tea and cotton exports are 10 per cent of their former volumes. Only coffee production, which last year reached 187,000 tonnes, has managed to grow in the face of a crisis. This reflects the importance of coffee to the national economy: last year it provided 97 per cent of foreign exchange earnings from 144,000 tonnes exported. Coffee has also proved remarkably resilient to the ravages of war. Farmers who abandonned their small holdings found that when they returned coffee bushes could be cleared quickly for production. Adequate increases in producer prices has also helped to keep coffee production buoyant.

For almost two decades Ugandan governments have increasingly relied on coffee. But in the face of rapidly declining international prices for coffee, the dangers inherent in such a policy are now becoming starkly apparent.

The Government estimates that in this year's coffee season foreign exchange receipts from coffee exports will fall by more than $100m, presenting the country with an even more severe balance of payments crisis. Last year the trade deficit stood at $353.2m.

To offset this Uganda will have rapidly to seek import substitution of selected food products, such as sugar, and diversification of its exports, inevitably, at least in the short-term, through traditional agricultural products, like tea and cotton. Such a strategy will require serious economic reforms like regular devaluation to promote exports; maintenance of adequate producer prices; control of inflation to stimulate farmers to move away from subsistence and food crop production into exports; improving research, extension, seed distribution and credit delivery and, perhaps most importantly, removing the suffocating monopoly of the all-powerful state marketing boards like the Coffee Marketing Board; the Produce Marketing Board and the Lint Marketing Board.

Some progress has been made. Many roads have been rehabilitated, easing constraints on marketing; limited devaluation and producer price increases have provided better incentives to farmers; the export monopoly of the Uganda Tea Authority has been abolished; and plans are under way to transfer the tea factories managed by the Uganda Tea Growers Corporation to growers' groups. The Government has also announced that it will establish a semi-autonomous National Agricultural Research Organisation to promote better research, extension and diversification.

The tea sector looks promising following the introduction of mechanised harvesting in the estate sector and the liberalised marketing regime which allows major tea producers to export directly and retain their export earnings on external accounts. Rehabilitation of tea factories and good producers prices has also boosted smallholder production. The Government is estimating that made tea production will grow to 7.5m kg in 1989, up from 3.3m kg in 1988. While some tea experts believe this is optimistic there is a widespread belief that if liberalisation continues Uganda could boost production to 60m kgs by 1991-92.

Less progress has been made in the cotton sector because of continued civil war in cotton-growing areas, lack of seed and the poor state of the ginneries. Last year marketed production was 10,370 bales.

If the reform programme can be maintained, especially in regular devaluation, supply of rural credit and freer private marketing, most experts believe Uganda will once again be able to capitalise on its enormous agricultural potential.

# Countryside chief warns of green threat to farming

By Bridget Bloom, Agriculture Correspondent

A WARNING that the British public's desire for increasingly "green" farming might get out of hand to the detriment of the intensive production of food came yesterday from an unlikely quarter.

Sir Derek Barber, chairman of the Countryside Commission, a government-appointed body with the task of countryside protection, said in London last night that the main function of agriculture was not planting trees and scraping ponds, with grain and milk production as useful by-products.

It was important to restore balance in the farming/environment equation "lest, supinely, we accept wounds on farming's body politic from restrictions which owe more to misplaced anxieties and "going with the tide" than to solid scientific fact and counsel."

Sir Derek's remarks, made at a Massey-Ferguson agricultural award ceremony, would certainly find many echoes among Britain's farmers, alarmed at the restrictions imposed on their businesses for environmental reasons.

However, coming from the head of one of Britain's top conservation bodies they may seem to carry extra weight.

Sir Derek noted that the outlook for UK agriculture was far more "bearish" than the industry itself seemed prepared to acknowledge.

In these circumstances, different environmental approaches might be needed. Hill and upland areas would face an increasingly bleak future, Sir Derek said, suggesting that the most sensible course might be to allow their gradual depopulation "so that natural forests bloom and diversity is introduced into uniform, bleak landscapes".

However, at the other end of the *spectrum* Sir Derek thought attempting to "green" the open arable lands of East Anglia might be a waste of effort.

# Indonesia's soaring timber tax

By John Murray Brown in Jakarta

THOUSANDS OF Indonesian sawmill workers may have to be laid off as a result of a massive increase in the official export tax that came into force at the start of this year.

The tax move is just the latest, but perhaps most controversial, of a series of measures to restructure Indonesia's timber industry, the country's largest export earner after oil and gas. But it lends extra credence to earlier predictions that Indonesia might be facing a severe supply shortage.

The tax rise – as much as 1,000 per cent for some specialist varieties of wood – is effectively a ban on the export of sawn timber. Traders believe the main purpose of the prohibitive tax rates is to divert the country's increasingly scarce timber supplies to the all-important plywood manufacturing sector.

*But traders fear* that, as a result, a large proportion of the country's 2,700 sawmills will have to close, threatening thousands of jobs at a time when Indonesia is already struggling with high unemployment.

In a fiery session in Parliament last month Mr Bob Hasan, the head of the Indonesian Plywood Association and the man widely seen as controlling the country's timber policy, defended the tax increase, saying that it would encourage sawmillers to develop the local furniture industry.

Currently Indonesia has sawmill capacity of about 11m cubic metres while the furniture industry only absorbs some 1.5m cubic metres. Mr Hasan said more than 300 sawmillers had been licensed to establish woodworking factories which would raise capacity by as much as 3.4m cubic metres.

Although Mr Hasan denies it, many traders insist that the tax move is aimed principally *at helping out the plywood* industry, which in 1988 earned more than $2bn but now finds itself critically short of raw material.

Deforestation is the main reason for the supply problem. Indonesia, which contains more than 10 per cent of the world's standing tropical timber is losing forest at a rate of 1m hectares every year – more than the UK Forestry Commission has planted in the last 40 years.

Plywood mills have been rapacious consumers. In addition few mills are making use of the timber residues, left over after the log is machined. According to a report by the Asean Co-ordinating Group on Forestry the amount of timber lost as residues represents 30 per cent of total log production.

More critically Indonesia has a problem of over-capacity, after the Government banned the export of raw logs in 1985 forcing timber concessionaires to set up mills if they wanted to stay in business.

Today the industry is under mounting pressure to increase extraction rates just to recover the cost of that original investment.

# Fox postpones rubber futures trial again

By David Blackwell

TRIALS OF London's long-awaited rubber futures contract were again postponed yesterday by the London Futures and Options Exchange (Fox).

The contract, which was originally to have been launched last July after more than 12 months of discussions, is to be traded on the Automated Trading System developed for the exchange's successful white sugar contract.

Last Thursday the latest version of the computerised white sugar ATS broke down in the afternoon. The back-up system failed later on and trading had to be conducted by telephone.

Fox said yesterday that the decision to postpone the rubber contract trials had been taken because the two screens based overseas (in New York and Singapore) were not ready. It was taking advantage of the latest delay to instal the latest software which would "make the system more efficient."

# Crystal-gazing analyst sees gold price at $1,000

By Kenneth Gooding, Mining Correspondent

GOLD'S PRICE will go above $1,000 an ounce for the first time in the mid-1990s, sent spiralling upwards by an oil supply crisis, according to Ms Rhona O'Connell, precious metals analyst at the Shearson Lehman Hutton financial services group.

She also predicts that the Soviet Union will decide against backing its currency with its gold reserves but instead will issue gold-backed bonds. This would would have virtually the same international effect in that the country could raise money using its gold reserves as collateral.

Ms O'Connell makes these suggestions in a semi-serious article in Shearson's latest precious metals review where she "looks back at the previous decade from the year 2,000."

Dealing with the increasing *importance of the Eastern bloc* countries in the 1990s, Ms O'Connell says: "Already by the start of the 1990s the (Soviet) population was demonstrating an almost insatiable thirst for gold jewellery, such that a purchase limit of one item per person per trip had to be imposed by the state. The prospect of seeing all the country's gold reserves disappearing into private hands was too unattractive to risk."

Ms O'Connell predicts that in the 1990s gold will reassert itself as a store of value and as the monetary asset of last resort. The gold price, in real terms, will be maintained at between $400 and $450 an ounce but will "spike" upwards during periods of panic – such as "after the oil market supply crunch mid-decade and the inflationary period that followed."

Gold will move back centre stage in the money markets, says Ms O'Connell. The central banks will be net absorbers of *gold as industrialised nations* maintain a steady proportion of gold as against currency in their foreign exchange reserves.

## WORLD COMMODITIES PRICES

## LONDON MARKETS

GOLD rose by more than $5 an ounce on the London bullion market yesterday on the back of a weaker dollar and buying interest from both Europe and the Far East. Overhead resistance is expected around $410 an ounce. On the LME, this week's slide in nickel prices ended as pockets of short-covering and profit-taking emerged amid news of some loss of production at Falconbridge's facilities in the Dominican Republic. Tin prices went into reverse with no sign of follow-through to the week's rise. Copper, continuing to track Comex, was also in retreat. However, the market still appears to be short overall so no major downside movement seems likely. "Some fresh fundamental news or a significant draw-down in *warehouse stocks is needed if the* market is to make a sustained bull movement," one trader said.

**SPOT MARKETS**

| Crude oil (per barrel FOB) | | + or - |
|---|---|---|
| Dubai | $17.50-7.65w | +0.45 |
| Brent Blend | $21.05-1.20w | +.825 |
| W.T.I. (1 pm est) | $22.50-2.55w | +0.45 |
| **Oil products** (NWE prompt delivery per tonne CIF) | | + or - |
| Premium Gasoline | $215-217 | |
| Gas Oil | $188-189 | |
| Heavy Fuel Oil | $101-103 | +1 |
| Naphtha | $186-188 | +1 |
| *Petroleum Argus Estimates* | | |
| **Other** | | + or - |
| Gold (per troy oz)♣ | $409.25 | +5.50 |
| Silver (per troy oz)♣ | 529c | +4 |
| Platinum (per troy oz) | $491.65 | +2.70 |
| Palladium (per troy oz) | $135.85 | +0.20 |
| Aluminium (free market) | $1605 | |
| Copper (US Producer) | 114⅝-117c | |
| Lead (US Producer) | 39.5c | |
| Nickel (free market) | 355c | |
| Tin (Kuala Lumpur market) | 18.55r | +0.20 |
| Tin (New York) | 313c | -10 |
| Zinc (US Prime Western) | 70¾c | |
| Cattle (live weight)† | 111.06p | -0.61* |
| Sheep (dead weight)† | 198.70p | -11.9* |
| Pigs (live weight)† | 78.45p | -6.06* |
| London daily sugar (raw) | $345.0t | +6.4 |
| London daily sugar (white) | $419.0t | +9.5 |
| Tate and Lyle export price | £322.0 | +3.5 |
| Barley (English feed) | £118.0 | -0.5 |
| Maize (US No. 3 yellow) | £129.0 | -0.5 |
| Wheat (US Dark Northern) | £132 | |
| Rubber (spot)♥ | 53.00p | -0.25 |
| Rubber (Feb)♥ | 55.50p | -0.25 |
| Rubber (Mar)♥ | 56.50p | -0.25 |
| Rubber (KL RSS No 1 Feb) | 224m | |
| Coconut oil (Philippines)§ | $442.5t | -5.0 |
| Palm Oil (Malaysian)§ | $282.5 | -2.5 |
| Copra (Philippines)§ | $280 | |
| *Soyabeans (US)* | £170 | |
| Cotton "A" index | 74.65c | +0.35 |
| Wooltops (64s Super) | 570p | -3 |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb r-ringgit/kg. y-Oct. x-Dec/Jan t-Jan/Feb. v-Jan/Mar. w-Feb. z-Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

**COCOA – London FOX** £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Mar | 631 | 625 | 632 625 |
| May | 642 | 635 | 642 635 |
| Jul | 653 | 649 | 654 648 |
| Sep | 671 | 665 | 671 665 |
| Dec | 694 | 688 | 693 688 |
| Mar | 711 | 705 | 711 705 |

Turnover: 4897 (1840) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 9 743.00 (742.80):10 day average for Jan 10 738.11 (735.12)

**COFFEE – London FOX** £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Jan | 618 | 626 | 625 613 |
| Mar | 639 | 648 | 650 638 |
| May | 650 | 661 | 663 648 |
| Jul | 665 | 675 | 675 664 |
| Sep | 683 | 693 | 694 681 |
| Nov | 703 | 711 | 714 705 |
| Jan | 722 | 734 | 730 |

Turnover: 3782 (2792) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 9: Comp. daily 64.63 (64.28). 15 day average 62.99 (62.82)

**SUGAR – London FOX** ($ per tonne)

| Raw | Close | Previous | High/Low |
|---|---|---|---|
| Mar | 321.80 | 318.00 | 323.00 317.40 |
| May | 321.00 | 318.40 | 322.40 317.40 |
| Aug | 317.80 | 315.00 | 318.00 313.20 |
| Oct | 311.00 | 309.00 | 312.40 308.00 |
| Dec | 309.00 | 307.00 | |
| Mar | 294.00 | 290.00 | 290.00 290.00 |
| **White** | **Close** | **Previous** | **High/Low** |
| Mar | 424.50 | 411.50 | 424.60 421.00 |
| May | 421.00 | 409.00 | 421.50 416.00 |
| Aug | 420.50 | 412.00 | 421.90 417.00 |
| Oct | 397.00 | 387.00 | 400.00 395.00 |
| Dec | 372.00 | 366.00 | 372.00 371.30 |
| Mar | 369.00 | 364.00 | 369.00 367.00 |

Turnover: Raw 5898 (2477) lots of 50 tonnes. White 3325 (1558)
Paris- White (FFr per tonne): Mar 2415, May 2415, Aug 2430, Oct 2290, Dec 2190, Mar 2180.

**CRUDE OIL – IPE** $/barrel

| | Close | Previous | High/Low |
|---|---|---|---|
| Feb | 20.76 | 20.14 | 20.85 20.40 |
| Mar | 19.88 | 19.28 | 19.89 19.54 |
| Apr | 19.28 | 18.76 | 19.21 19.05 |
| May | 18.80 | 18.34 | 18.81 18.77 |
| IPE Index | 20.12 | 20.66 | |

Turnover: 10451 (11002)

**GAS OIL – IPE** $/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Jan | 190.25 | 190.25 | 194.00 187.00 |
| Feb | 184.25 | 184.00 | 188.00 183.00 |
| Mar | 176.50 | 174.75 | 178.00 174.50 |
| Apr | 169.00 | 167.00 | 171.00 168.00 |
| May | 167.00 | 164.25 | 168.00 164.00 |
| Jun | 163.00 | 162.50 | 163.00 |

Turnover 12156 (10209)lots of 100 tonnes

**WOOL**
With Australian Wool Corporation floor price support crucial to the world price structure interest centered on the percentage purchased at the opening sales this week. Slightly helpful to the AWC as well as to potential buyers of wool has been recent softening of the Australian dollar. More than this minor price adjustment is considered necessary to bring about a better world balance between wool supply and demand, and there is little at present to encourage demand optimism in the Asian markets. Bradford price levels are unchanged or a little softer with 570p per kg. quoted for 64s super and 360p for 58s average.

**LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open interest |
|---|---|---|---|---|---|---|
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | Ring turnover 12,600 tonne | |
| Cash | 1583-6 | 1607-9 | 1583/1580 | 1578-80 | | |
| 3 months | 1591-2 | 1611-2 | 1605/1585 | 1587-8 | 1590-1 | 33,975 lots |
| **Copper, Grade A (£ per tonne)** | | | | | Ring turnover 33,900 tonne | |
| Cash | 1503-5 | 1547-9 | 1512 | 1511-2 | | |
| 3 months | 1502-3 | 1535-6 | 1513/1495 | 1506-7 | 1495-6 | 65,829 lots |
| **Lead (£ per tonne)** | | | | | Ring turnover 11,600 tonne | |
| Cash | 437-9 | 444-6 | 444 | 444-5 | | |
| 3 months | 430-1 | 435-6 | 437.5/431 | 435-6 | 430-2 | 10,155 lots |
| **Nickel ($ per tonne)** | | | | | Ring turnover 1,190 tonne | |
| Cash | 7650-700 | 7625-700 | 7700/7650 | 7675-700 | | |
| 3 months | 7500-25 | 7475-80 | 7525/7440 | 7450-75 | 7475-500 | 5,158 lots |
| **Tin ($ per tonne)** | | | | | Ring turnover 510 tonne | |
| Cash | 6600-25 | 7010-30 | 6920 | 6920-30 | | |
| 3 months | 6825-40 | 7115-20 | 7130/6810 | 7000-20 | 6820-40 | 5,431 lots |
| **Zinc, Special High Grade ($ per tonne)** | | | | | Ring turnover 25,425 tonne | |
| Cash | 1325-30 | 1350-60 | 1345 | 1341-4 | | |
| 3 months | 1295-8 | 1353-5 | 1320/1291 | 1300-2 | 1295-6 | 15,531 lots |
| **Zinc ($ per tonne)** | | | | | Ring turnover 1,725 tonne | |
| Cash | 1305-15 | 1345-65 | | 1340-5 | | |
| March 30 | 1265-75 | 1285-95 | | 1280-90 | | 1,365 lots |

LME Closing £/$ rate: SPOT: 1.6595 3 months: 1.6337 6 months: 1.5959 9 months: 1.5774

**POTATOES – BFE** £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Feb | 145.0 | 140.0 | 145.0 |
| Apr | 200.0 | 198.5 | 200.0 198.4 |
| May | 225.5 | 225.5 | 225.5 |

Turnover 83 (220) lots of 40 tonnes.

**SOYABEAN MEAL – BFE** £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| Feb | 137.50 | 138.50 | |
| Apr | 138.00 | 138.00 | |
| Jun | 136.00 | 137.00 | |

Turnover 50 (150) lots of 20 tonnes.

**FREIGHT FUTURES – BFE** $10/index point

| | Close | Previous | High/Low |
|---|---|---|---|
| Jan | 1680 | 1692 | 1692 1674 |
| Feb | 1669 | 1663 | 1662 1665 |
| Apr | 1693 | 1698 | 1700 1690 |
| Jul | 1439 | 1437 | 1439 1425 |
| Oct | 1550 | 1550 | |
| BFI | 1652 | 1644 | |

Turnover 392 (583)

**GRAINS – BFE**

| Wheat | Close | Previous | High/Low |
|---|---|---|---|
| Jan | 113.40 | 113.50 | 113.60 113.50 |
| Mar | 116.75 | 117.35 | 117.30 117.00 |
| May | 120.50 | 121.15 | 121.00 120.50 |
| Jun | 122.20 | 122.70 | 122.60 122.20 |
| Sep | 105.85 | | |
| Nov | 109.00 | | 109.00 |
| **Barley** | **Close** | **Previous** | **High/Low** |
| Jan | 110.95 | 111.00 | 111.05 111.00 |
| Mar | 112.55 | 112.85 | 112.85 |
| May | 114.45 | 114.50 | 114.65 114.45 |

Turnover: Wheat 288 (116), Barley 75 (38).
Turnover lots of 100 tonnes.

**PIGS – BFE** (Cash Settlement) p/kg

| | Close | Previous | High/Low |
|---|---|---|---|
| Feb | 106.0 | 105.5 | 106.0 |
| Apr | 107.5 | 107.0 | 107.5 |
| Jun | 107.5 | 106.8 | |

Turnover 42 (36) lots of 3,250 kg

**LONDON BULLION MARKET**

| Gold (fine oz) | $ price | £ equivalent |
|---|---|---|
| Close | 409-409½ | 247-247½ |
| Opening | 405¼-405¾ | 243¼-243¾ |
| Morning fix | 408.45 | 245.874 |
| Afternoon fix | 408.1 | 246.149 |
| Day's high | 410-410½ | |
| Day's low | 405¼-405¾ | |
| **Coins** | **$ price** | **£ equivalent** |
| Maple leaf | 417-422 | 251¼-254¼ |
| Britannia | 417-422 | 251¼-254¼ |
| US Eagle | 417-422 | 251¼-254¼ |
| Angel | 417½-422½ | 252-255 |
| Krugerrand | 408-412 | 247-249 |
| New Sov. | 95-97 | 57¼-58¼ |
| Old Sov. | 95-97 | 57¼-58¼ |
| Noble Plat | 503.5-508.2 | 302.6-305.4 |
| **Silver fix** | **p/fine oz** | **US cts equiv** |
| Spot | 316.85 | 526.50 |
| 3 months | 328.85 | 537.13 |
| 6 months | 340.25 | 548.35 |
| 12 months | 363.00 | 570.25 |

**TRADED OPTIONS**

| Aluminium (99.7%) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | Mar | May | Mar | May |
| 1500 | 99 | 109 | 5 | 20 |
| 1600 | 35 | 50 | 40 | 60 |
| 1700 | 8 | 18 | 114 | 125 |
| **Copper (Grade A)** | **Calls** | | **Puts** | |
| 2350 | 150 | 147 | 33 | 82 |
| 2450 | 69 | 95 | 70 | 130 |
| 2550 | 27 | 64 | 127 | 192 |
| **Coffee** | **Mar** | **May** | **Mar** | **May** |
| 600 | 45 | 63 | 7 | 18 |
| 650 | 17 | 33 | 29 | 34 |
| 700 | 3 | 21 | 65 | 72 |
| **Cocoa** | **Mar** | **May** | **Mar** | **May** |
| 600 | 42 | 61 | 11 | 20 |
| 650 | 18 | 34 | 35 | 43 |
| 700 | 5 | 16 | 74 | 75 |
| **Brent Crude** | **Mar** | **Apr** | **Mar** | **Apr** |
| 1900 | 96 | 90 | 28 | 66 |
| 1950 | 62 | 64 | 47 | 90 |
| 2000 | 36 | 46 | - | 124 |

## US MARKETS

IN THE METALS, prices rallied sharply in the gold, silver and platinum, reports Drexel Burnham Lambert. Gold futures led theway by posting a gain of 800 basis February. The only metal that was lower was copper due to commission house activity. The softs had higher prices in the sugar from strong trade participation. The March contract rose 21 closing a 1454. Fund and trade buying helped firm cocoa futures. Coffee fell slightly, but switch activity made up most of the volume. Grain prices were down as liquidation ahead of Thursdays report was seen. The livestocks were mixed after lacklustre trading. Orange juice continued to slip from scattered profit taking. Cotton was also down on technical selling. The energy markets were all up sharply, adding to Tuesdays gains. Heating oil and gasoline futures continued to be the most active.

### New York

**GOLD 100 troy oz.; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jan | 412.4 | 404.2 | 412.3 | 412.3 |
| Feb | 414.2 | 406.2 | 415.5 | 413.5 |
| Mar | 416.5 | 408.4 | 417.8 | 417.8 |
| Apr | 419.4 | 411.2 | 421.0 | 415.3 |
| Jun | 424.3 | 416.1 | 425.8 | 419.5 |
| Aug | 429.0 | 420.7 | 430.0 | 425.2 |
| Oct | 433.3 | 425.3 | 434.0 | 428.7 |
| Dec | 438.1 | 429.8 | 440.8 | 432.8 |
| Feb | 444.0 | 435.5 | 0 | 0 |

**PLATINUM 50 troy oz; $/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jan | 497.9 | 489.8 | 500.0 | 488.5 |
| Apr | 505.4 | 497.4 | 508.0 | 498.5 |
| Jul | 512.0 | 504.2 | 512.0 | 506.5 |
| Oct | 519.6 | 512.1 | 520.0 | 513.5 |
| Jan | 527.9 | 520.1 | 0 | 0 |

**SILVER 5,000 troy oz; cents/troy oz.**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jan | 530.6 | 522.4 | 526.5 | 526.5 |
| Feb | 532.7 | 525.7 | 0 | 0 |
| Mar | 536.8 | 528.8 | 539.5 | 528.5 |
| May | 544.8 | 536.8 | 547.0 | 537.0 |
| Jul | 552.7 | 545.5 | 554.5 | 546.0 |
| Sep | 559.9 | 553.1 | 561.0 | 557.0 |
| Dec | 571.1 | 564.5 | 574.0 | 568.5 |
| Jan | 575.7 | 568.5 | 0 | 0 |
| Mar | 583.9 | 576.7 | 586.5 | 586.0 |
| May | 591.7 | 584.5 | 597.0 | 592.0 |

**SUGAR WORLD "11" 112,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 14.54 | 14.33 | 14.59 | 14.35 |
| May | 14.50 | 14.32 | 14.55 | 14.34 |
| Jul | 14.33 | 14.23 | 14.38 | 14.21 |
| Oct | 14.08 | 13.96 | 14.11 | 13.96 |
| Mar | 13.92 | 13.84 | 14.00 | 13.87 |
| May | 13.61 | 13.61 | [illegible] | [illegible] |
| Jul | 13.58 | 13.48 | [illegible] | [illegible] |

**COTTON 50,000; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 68.48 | 68.83 | 68.55 | 68.00 |
| May | 68.38 | 67.43 | [illegible] | [illegible] |
| Jul | 67.42 | 67.90 | 67.95 | 67.25 |
| Oct | 64.62 | 64.80 | 64.90 | 64.10 |
| Dec | 63.40 | 63.62 | 63.85 | 63.20 |
| Mar | 64.15 | 64.20 | 0 | 0 |
| May | 65.00 | 64.80 | 64.40 | 64.40 |

**ORANGE JUICE 15,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jan | 187.00 | 189.20 | 190.00 | 186.50 |
| Mar | 188.50 | 187.50 | 194.00 | 187.25 |
| May | 183.90 | 188.50 | 194.00 | 187.75 |
| Jul | 185.20 | 187.50 | [illegible] | [illegible] |
| Sep | 180.25 | [illegible] | [illegible] | [illegible] |
| Nov | 180.20 | [illegible] | [illegible] | [illegible] |
| Jan | 179.95 | 177.50 | 180.05 | 178.00 |
| Mar | 179.95 | 177.50 | 0 | 0 |
| May | 179.95 | 177.00 | 0 | 0 |

**HIGH GRADE COPPER 25,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jan | 108.70 | 110.80 | 110.00 | 108.70 |
| Feb | 108.60 | 110.70 | 108.60 | 108.60 |
| Mar | 108.10 | 110.20 | 110.00 | 107.85 |
| Apr | 106.90 | 108.85 | 0 | 0 |
| May | 106.20 | 108.05 | 108.05 | 105.90 |
| Jun | 105.40 | 107.05 | 0 | 0 |
| Jul | 104.60 | 106.05 | 106.90 | 104.10 |
| Aug | 103.70 | 105.05 | 0 | 0 |
| Sep | 102.90 | 104.05 | 103.10 | 103.10 |
| Oct | 102.40 | 103.80 | 0 | 0 |

**CRUDE OIL (Light) 42,000 US galls $/barrel**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Feb | 22.70 | 22.07 | 22.79 | 22.25 |
| Mar | 21.91 | 21.23 | 22.00 | 21.47 |
| Apr | 21.37 | 20.78 | 21.47 | 20.85 |
| Jun | 20.53 | 20.08 | 20.67 | 20.15 |
| Jul | 20.30 | 19.77 | 20.34 | 19.90 |
| Aug | 20.00 | 19.51 | 20.09 | 19.65 |
| Sep | 19.78 | 19.31 | 19.87 | 19.39 |
| Oct | 19.65 | 19.16 | 19.72 | 19.29 |
| Nov | 19.50 | 19.07 | 19.63 | 19.50 |

**HEATING OIL 42,000 US galls, cents/US galls**

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| Feb | 6635 | 6505 | 6700 | 6430 |
| Mar | 6170 | 5967 | 6187 | 5975 |
| Apr | 5820 | 5637 | 5837 | 5655 |
| May | 5620 | 5450 | 5650 | 5495 |
| Jun | 5500 | 5320 | 5500 | 5350 |
| Jul | 5460 | 5295 | 5460 | 5310 |

**COCOA 10 tonnes;$/tonnes**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 967 | 957 | 970 | 955 |
| May | 967 | 950 | 969 | 955 |
| Jul | 981 | 964 | 983 | 966 |
| Sep | 995 | 980 | 996 | 986 |
| Dec | 1020 | 1003 | 1022 | 1009 |
| Mar | 1039 | 1021 | 1036 | 1027 |
| May | 1063 | 1082 | 0 | 0 |

**COFFEE "C" 37,500lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 82.57 | 82.84 | 83.50 | 81.50 |
| May | 84.29 | 84.61 | 85.30 | 83.35 |
| Jul | 86.20 | 86.40 | 87.00 | 85.25 |
| Sep | 88.05 | 88.55 | 88.80 | 87.50 |
| Dec | 90.60 | 91.40 | 91.70 | 90.30 |
| Mar | 92.40 | 93.00 | 93.00 | 92.50 |
| May | 93.25 | 95.00 | [illegible] | [illegible] |
| Jul | 95.00 | 96.00 | [illegible] | [illegible] |

**INDICES**

**REUTERS (Base: September 18 1931 = 100)**

| Jan 10 | Jan 9 | mnth ago | yr ago |
|---|---|---|---|
| 1816.5 | 1815.2 | 1808.5 | 1985.4 |

**DOW JONES (Base: Dec. 31 1974 = 100)**

| | Jan 9 | Jan 8 | mnth ago | yr ago |
|---|---|---|---|---|
| Spot | 128.16 | 128.26 | 127.12 | 141.91 |
| Futures | 130.82 | 130.50 | 130.33 | 144.96 |

### Chicago

**SOYABEANS 5,000 bu min; cents/60lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jan | 567/2 | 570/4 | 570/0 | 565/4 |
| Mar | 579/6 | 582/6 | 582/6 | 579/0 |
| May | 592/2 | 596/2 | 596/2 | 590/2 |
| Jul | 603/2 | 606/0 | 607/0 | 603/4 |
| Aug | 606/6 | 611/4 | 607/4 | 607/4 |
| Sep | 605/0 | 611/0 | 610/4 | 607/4 |
| Nov | 614/2 | 618/4 | 619/0 | 613/6 |
| Jan | 623/4 | 628/2 | 627/0 | 623/0 |

**SOYABEAN OIL 60,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jan | 19.24 | 19.25 | 19.20 | 19.30 |
| Mar | 19.54 | 19.65 | 19.63 | 19.33 |
| May | 19.64 | 20.02 | 20.00 | 19.72 |
| Jul | 20.21 | 20.30 | 20.26 | 19.79 |
| Aug | 20.25 | 20.32 | 20.36 | 20.08 |
| Sep | 20.25 | 20.36 | 20.35 | 20.10 |
| Oct | 20.25 | 20.40 | 20.40 | 20.17 |
| Dec | 20.42 | 20.52 | 20.55 | 20.35 |

**SOYABEAN MEAL 100 tons; $/ton**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Jan | 178.0 | 178.6 | 178.1 | 178.2 |
| Mar | 178.5 | 179.4 | 179.5 | 178.5 |
| May | 178.5 | 179.7 | 179.1 | 178.4 |
| Jul | 180.8 | 181.9 | 181.5 | 181.9 |
| Aug | 182.0 | 182.9 | 182.8 | 181.9 |
| Sep | 183.0 | 184.0 | 183.6 | 183.0 |
| Oct | 183.5 | 184.8 | 184.8 | 183.5 |
| Dec | 185.5 | 187.0 | 186.5 | 185.5 |

**MAIZE 5,000 bu min; cents/56lb bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 238/0 | 236/6 | 238/4 | 237/4 |
| May | 244/0 | 244/6 | 244/4 | 243/6 |
| Jul | 249/0 | 249/4 | 249/4 | 247/6 |
| Sep | 247/4 | 248/0 | 248/4 | 247/2 |
| Dec | 247/0 | 248/0 | 248/4 | 246/4 |
| Mar | 253/4 | 254/6 | 255/2 | 253/4 |
| May | 257/6 | 258/0 | 258/2 | 257/4 |

**WHEAT 5,000 bu min; cents/60lb-bushel**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Mar | 405/4 | 405/6 | 408/2 | 403/2 |
| May | 385/6 | 388/2 | 389/0 | 385/0 |
| Jul | 360/4 | 363/2 | 363/2 | 360/2 |
| Sep | 363/2 | 365/2 | 365/2 | 363/2 |
| Dec | 375/0 | 378/0 | 375/6 | 373/4 |
| Mar | 380/4 | 381/0 | [illegible] | [illegible] |

**LIVE CATTLE 40,000 lbs; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Feb | 77.12 | 78.42 | 77.17 | 76.12 |
| Apr | 75.97 | 76.47 | 76.07 | 75.12 |
| Jun | 71.37 | 71.65 | 71.72 | 71.40 |
| Aug | 71.25 | 71.37 | 71.40 | 71.07 |
| Oct | 71.47 | 71.42 | 71.57 | 71.02 |
| Dec | 72.50 | 72.40 | 72.75 | 72.30 |

**LIVE HOGS 30,000 lb; cents/lbs**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Feb | 51.02 | 51.50 | 51.15 | 50.75 |
| Apr | 46.77 | 48.32 | 46.97 | 46.52 |
| Jun | 52.72 | 52.40 | 52.82 | 52.05 |
| Jul | 52.60 | 52.50 | 52.65 | 52.07 |
| Aug | 51.22 | 51.17 | 51.40 | 50.85 |
| Oct | 48.00 | 48.20 | 48.25 | 48.07 |
| Dec | 47.25 | 47.60 | 47.50 | 47.25 |

**PORK BELLIES 40,000 lbs; cents/lb**

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| Feb | 55.87 | 55.82 | 56.10 | 54.85 |
| Mar | 56.27 | 55.70 | 56.55 | 55.05 |
| May | 57.60 | 56.70 | 57.75 | 56.80 |
| Jul | 57.60 | 56.97 | 57.75 | 57.25 |
| Aug | 56.05 | 56.05 | 56.30 | 55.80 |
| Feb | 57.10 | 56.70 | 57.10 | 56.80 |

## LONDON STOCK EXCHANGE

# New year gains lost in nervous trade

INTERNATIONAL and domestic factors combined to deepen uncertainty on the UK stock market yesterday, wiping out the remains of the 1.7 per cent gain achieved by the FT-SE Index in the early days of the new year.

Setbacks in both the New York and Tokyo equity markets further unsettled London's bullish hopes for 1990, and investors began to brace themselves for depressing trading news from the corporate sector over the next few weeks.

Some concern was expressed at the downward trend of the Japanese market and UK brokers suggested that Far Eastern clients might regard this week's steadier trend in sterling as an opportunity to sell UK equities. Turnover, as measured by the Seaq electronic reporting system, was at the high end of recent daily averages.

**Account Dealing Dates**

| | | | |
|---|---|---|---|
| *First Dealings: | Dec 27 | Jan 15 | Jan 29 |
| Option Declarations: | Jan 11 | Jan 25 | Feb 8 |
| Last Dealings: | Jan 12 | Jan 26 | Feb 9 |
| Account Day: | Jan 22 | Feb 5 | Feb 19 |

*New time dealings may take place from 9.00 am two business days earlier.

London opened smartly lower in the face of the losses in the Dow Jones and the Nikkei averages. UK traders also reacted with caution to the news that British industry had a financial deficit of £15bn in the first nine months of 1989. This was read as a new warning of possible rights issues ahead as companies seek to refinance their operations.

More positive news came from Europe in the form of the acquisition by Siemens of West Germany of Nixdorf, but there was limited response in London. Shares in STC edged higher as traders assessed the implications for the European industry of the move by Siemens, which appears to eliminate Nixdorf as a possible bidder for ICL, the computer subsidiary of STC.

The stock market extended its losses in mild trading to double the early loss on the Footsie to nearly 23 points at mid-session. A highly favourable dividend forecast from Hanson, one of the stocks most favoured by investors on both sides of the Atlantic, had little overall effect.

London equities tried to steady when New York made a somewhat uncertain start, but they turned down again when the Dow extended its fall in the early part of the new session. At the close, the FT-SE Index was 23.7 points down at 2,412.6, its lowest level since December 28 last year. London is expected to watch closely the overnight performances in Japanese and US markets, which are likely to decide the opening trend in London this morning.

Traders pointed out that equity turnover increased in London at the close of the session, when Wall Street was moving on the downside. Seaq volume remained relatively high at 449.3m shares, compared with 563.7m on Tuesday.

The London stock market has appeared more cautious on the near term prospects for domestic interest rates following the restatement of Government policies towards inflation by Mr John Major, Chancellor of the Exchequer.

**FINANCIAL TIMES STOCK INDICES**

| | Jan 10 | Jan 9 | Jan 8 | Jan 5 | Jan 4 | Year Ago | 1989/90 High | 1989/90 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs | 82.98 | 83.37 | 83.58 | 84.10 | 84.20 | 87.14 | 89.29 (8/2/89) | 82.93 (4/12/89) | 127.4 (9/1/35) | 49.18 (3/1/75) |
| Fixed Interest | 92.62 | 92.68 | 92.81 | 92.71 | 92.59 | 96.38 | 99.59 (15/3/89) | 92.02 (8/12/89) | 105.4 (28/11/47) | 50.53 (3/1/75) |
| Ordinary Share | 1936.4 | 1956.5 | 1945.0 | 1946.6 | 1957.3 | 1498.8 | 2008.6 (5/9/89) | 1447.8 (3/1/89) | 2008.6 (5/9/89) | 49.4 (26/6/40) |
| Gold Mines | 322.4 | 316.1 | 315.8 | 306.4 | 298.7 | 183.1 | 322.4 (10/1/90) | 154.7 (17/2/89) | 734.7 (15/2/83) | 43.5 (26/10/71) |
| FT-SE 100 Share | 2412.6 | 2436.3 | 2431.3 | 2444.5 | 2451.6 | 1834.1 | 2463.7 (3/1/90) | 1782.8 (3/1/89) | 2463.7 (3/1/90) | 986.9 (23/7/84) |

| | Jan 10 | Jan 9 | Jan 8 | Jan 5 | Jan 4 | Year Ago |
|---|---|---|---|---|---|---|
| Ord. Div. Yield | 4.40 | 4.36 | 4.39 | 4.38 | 4.36 | 4.88 |
| Earning Yld %(full) | 10.73 | 10.63 | 10.71 | 10.67 | 10.62 | 12.26 |
| P/E Ratio(Net)(☆) | 11.26 | 11.39 | 11.30 | 11.35 | 11.38 | 9.86 |
| SEAQ Bargains(5pm) | 29,682 | 30,788 | 34,211 | 41,257 | 51,338 | 26,294 |
| Equity Turnover(£m)† | - | 877.56 | 752.77 | 1013.53 | 1408.02 | 1183.57 |
| Equity Bargains† | - | 33,053 | 35,467 | 44,161 | 53,890 | 28,009 |
| Shares Traded (ml)† | - | 414.5 | 315.6 | 407.8 | 585.8 | 478.7 |

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 11.23

**Ordinary Share Index, Hourly changes** Day's High 1946.2 Day's Low 1935.6

| Open | 10 a.m. | 11 a.m. | 12 p.m. | 1 p.m. | 2 p.m. | 3 p.m. | 4 p.m. |
|---|---|---|---|---|---|---|---|
| 1946.1 | 1939.2 | 1941.4 | 1941.3 | 1938.2 | 1939.1 | 1937.2 | 1940.0 |

**FT-SE, Hourly changes** Day's High 2425.2 Day's Low 2411.9

| Open | 10 a.m. | 11 a.m. | 12 p.m. | 1 p.m. | 2 p.m. | 3 p.m. | 4 p.m. |
|---|---|---|---|---|---|---|---|
| 2424.5 | 2416.6 | 2419.9 | 2419.9 | 2417.8 | 2417.4 | 2414.1 | 2418.2 |

**GILT EDGED ACTIVITY**

| Indices* | Jan 9 | Jan 8 |
|---|---|---|
| Gilt Edged Bargains | 74.0 | 85.3 |
| 5-Day average | 81.4 | 78.4 |

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share index: Tel. 0898 123001.

**TRADING VOLUME IN MAJOR STOCKS**

| | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| ADT | 1,900 | 195 | −6 |
| ASDA Group | 2,500 | 122 | −3 |
| Abbey National | 2,900 | 185 | −1 |
| Allied-Lyons | 3,600 | 515 | +4 |
| Amstrad | 598 | 48 | −2 |
| Argyll Group | 3,200 | 288 | +1 |
| Ass. Brit. Foods | 67 | 419 | −3 |
| BAA | 1,200 | 381 | −1 |
| BAT Inds. | 2,200 | 898 | −3 |
| BET | 1,200 | 264 | +1 |
| BICC | 682 | 477 | −3 |
| BOC | 395 | 557 | −6 |
| BPB Inds. | 265 | 350 | −1 |
| BTR | 1,800 | 457 | −7 |
| Barclays | 717 | 569 | −10 |
| Bass | 492 | 1055 | −3 |
| Beazer | 231 | 174 | −1 |
| Berisford Int. | 66 | 140 | −3 |
| Blue Arrow | 2,100 | 83½ | +1 |
| Blue Circle | 2,700 | 254 | −3 |
| Boots | 730 | 260 | −2 |
| Brit. & Comm. | 851 | 87 | −1 |
| Brit. Aerospace | 2,100 | 573 | −1 |
| British Airways | 2,700 | 224 | −2 |
| British Gas | 4,700 | 225½ | −4 |
| British Land | 94 | 383 | −1 |
| BP | 9,200 | 331 | −5 |
| British Steel | 9,525 | 142 | −2½ |
| British Telecom | 5,200 | 301 | |
| Bunzl | 28 | 714 | −1 |
| Burmah Oil | 322 | 895 | −3 |
| Burton | 591 | 218 | −1 |
| Cable & Wire. | 2,000 | 583 | −8 |
| Cadburys | 1,500 | 359 | −6 |
| Calor Group | 188 | 387 | −5 |
| Carlton Comms. | 304 | 799 | −9 |
| Coats Viyella | 1,500 | 139 | |
| Comm. Union | 685 | 500 | −1 |
| Cookson | 1,385 | 280 | −4 |
| Courtaulds | 580 | 392 | −3 |
| Dalgety | 109 | 334 | −8 |
| Dixons | 1,383 | 139 | −3 |
| Eng. China Clays | 710 | 488 | −2 |
| Enterprise Oil | 1,300 | 662 | −3 |
| FKI | 805 | 91 | +1 |
| Ferranti | 5,700 | 37 | +2 |
| Fisons | 1,700 | 395 | −6 |
| Gen. Accident | 314 | 1165 | −8 |
| General Elect. | 7,300 | 239 | −4 |
| Glaxo | 3,600 | 798 | −6 |
| Globe Inv. | 571 | 192½ | −4 |
| Glynwed Int. | 407 | 350 | −6 |
| Granada | 520 | 345 | −5 |
| Grand Met. | 3,750 | 649 | −9 |
| GUS A | 136 | 1089 | −16 |
| GRE | 2,800 | 248 | −2 |
| GKN | 4,000 | 450 | −10 |
| Guinness | 1,500 | 887 | −1 |
| Hammerson 'A' | 5 | 837 | −1 |
| Hanson | 13,000 | 235 | +1 |
| Hanson Warrants | 1,300 | 61 | −½ |
| Harrisons Cros. | 84 | 167 | −2 |
| Hawker Sidd. | 166 | 709 | −4 |
| Hillsdown | 1,100 | 289 | −3 |
| IMI | 649 | 229 | −2 |
| ICI | 1,900 | 1190 | −8 |
| Inchcape | 329 | 302 | −3 |
| Jaguar | 3 | 849 | |
| Kingfisher | 130 | 303 | −2 |
| Ladbroke | 1,300 | 340 | −6 |
| Land Securities | 232 | 538 | −3 |
| Laporte | 177 | 503 | +1 |
| Legal & General | 1,200 | 426 | −4 |
| Lloyds Abbey | 1,400 | 335 | +4 |
| Lloyds Bank | 1,250 | 449 | −4 |
| LASMO | 1,400 | 579 | −5 |
| Lonrho | 850 | 311 | −2 |
| Lucas | 641 | 653 | −12 |
| MB Group | 2,000 | 215 | |
| MEPC | 13 | 536 | −5 |
| Marks & Spencer | 1,800 | 209 | −2 |
| Maxwell Comm. | 997 | 221 | −2 |
| Mecca Leisure | 649 | 170 | −4 |
| Midland Bank | 571 | 375 | −9 |
| NatWest Bank | 1,300 | 350 | −4 |
| Next | 595 | 96 | −2 |
| Northern Foods | 159 | 322 | −5 |
| Pearl | 2 | 880 | |
| Pearson | 287 | 752 | −2 |
| P & O | 604 | 647 | −8 |
| Pilkington | 894 | 235 | −5 |
| Polly Peck Intl. | 2,600 | 411 | −7 |
| Prudential | 1,200 | 222 | −2 |
| RHM | 280 | 429 | |
| RMC | 174 | 732 | −5 |
| RTZ | 1,600 | 523 | |
| Racal | 2,400 | 348 | −3 |
| Racal Telecom | 411 | 392 | −11 |
| Rank Org. | 370 | 859 | −12 |
| Reckitt & Colman | 210 | 1258 | −3 |
| Redland | 578 | 597 | +2 |
| Reed Intl. | 1,100 | 462 | −1 |
| Reuters | 480 | 1042 | −14 |
| Rolls Royce | 5,100 | 189 | −3 |
| Rothmans | 39 | 880 | −5 |
| Ryl Bk Scotland | 1,800 | 203 | −6 |
| Royal Insurance | 1,200 | 535 | −3 |
| STC | 5,500 | 276 | +1 |
| Saatchi | 101 | 283 | −4 |
| Sainsbury | 1,800 | 267 | −1 |
| Scottish & New. | 4,385 | 359 | +2 |
| Sears | 4,900 | 111 | −1½ |
| Sedgwick | 833 | 301 | −5 |
| Shell Transport | 1,300 | 465 | −10 |
| Siebe | 132 | 483 | −1 |
| Slough Ests. | 767 | 329 | |
| Smith (W.H.) A | 751 | 357 | +5 |
| Smith & Nephew | 852 | 138 | −1 |
| SmKl Beecham | 845 | 607 | −8 |
| SmKl Beecham Units | 28 | 2695 | −25 |
| Smiths Inds. | 583 | 294 | −4 |
| Standard Chartd. | 1,100 | 559 | |
| Storehouse | 334 | 124 | +1 |
| Sun Alliance | 998 | 325 | −2 |
| Sun Life | 8 | 1310 | |
| T&N | 344 | 218 | −1 |
| TI Group | 128 | 440 | −1 |
| TSB | 9,600 | 133 | +2 |
| Tarmac | 1,000 | 258 | +1 |
| Tate & Lyle | 841 | 298 | −3 |
| Taylor Woodrow | 670 | 323 | −2 |
| Tesco | 2,900 | 189 | −5 |
| Thames Water | 1,300 | 156 | −4 |
| THORN EMI | 583 | 815 | −7 |
| Trafalgar House | 1,350 | 373 | −4 |
| Trusthouse Forte | 1,300 | 311 | −6 |
| Ultramar | 1,000 | 366 | −10 |
| Unigate | 498 | 344 | −4 |
| Unilever | 3,600 | 691 | −13 |
| United Biscuits | 648 | 364 | −6 |
| Utd. Newspapers | 77 | 456 | −3 |
| Wellcome | 648 | 758 | −17 |
| Whitbread 'A' | 2,100 | 416 | −8 |
| Williams Hldgs. | 842 | 262 | −3 |
| Willis Faber | 182 | 272 | −7 |
| Wimpey | 381 | 386 | +0 |

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

# Hanson forecast pleases

Hanson was one of the mere handful of stocks in the FT-SE 100 to show a gain on the day. News that the company is to increase its dividend by 22 per cent took most dealers and analysts by surprise and sparked busy trade in the shares. Some 13m changed hands as the price moved in a narrow range before settling a penny better at 235p.

Dealers were also impressed by the positive tone of the company's annual meeting and the polished performance from Lord Hanson who is 68 on January 20. "He is not about to retire," said one.

Some also saw the ground being prepared for further acquisitions by Hanson. The forecast increase in the dividend is designed to encourage holders of 10 per cent convertible loan stock to convert them into shares next month. "This will give Hanson more freedom to raise money by issuing more convertibles," said Mr Bruce Jones, an analyst at Kitcat & Aitken.

Mr Jack Jones of UBS Phillips & Drew said that after the conversion Hanson "will have net cash of £1bn on their books. Another £1bn will probably come from the sale of Newmont Mining this year."

### Focus on STC

Another successful performer in the FT-SE list was STC, which sustained its recent market outperformance on news of a link-up between Siemens and Nixdorf, two of West Germany's biggest electronics groups.

STC has moved ahead impressively in the past couple of weeks as the market has picked up persistent suggestions that an overseas group may be about to buy a 20 per cent stake in STC's computer subsidiary, ICL, which is believed to carry a price tag of around £1bn. Among favourites to take a stake in ICL are Olivetti, the Italian group, and Fujitsu of Japan which already has trading links with ICL.

Siemens is taking a 51 per cent stake in Nixdorf and intends to increase eventually. London-based electronics analysts said the move could provide the impetus for a further restructuring of the European computer industry. As one put it: "It increases the urgency for a deal regarding ICL." STC settled a penny higher on the day at 276p on turnover of 5.5m.

The Higgs & Hill saga took a decisive turn with YJ Lovell's brokers, Kleinwort Benson said to have moved into the market to buy Higgs & Hill stock at a price of 428p. Kleinwort was thought to have picked up one block of 450,000 shares and another parcel of 45,000 and was seeking to buy a further 2.9m shares. In their final response to the YJ Lovell offer Higgs & Hill continued to urge shareholders to reject the bid.

The bank sector was thoroughly unsettled by a report on the Treasury's response to the Bank of England's matrix by which the UK banks calculate their provisions against third world loans. "Even the fact that there is uncertainty about the tax treatment of the provisions is very bad news for the banks," said one trader. He said the market had taken it as fact that the Treasury would take the Bank of England's line on the tax position.

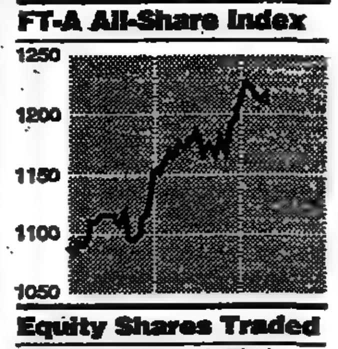
Midland were badly affected, slipping 9 to 375p while Lloyds lost 4 to 449p. Standard Chartered were a nervous market but were sustained by the better news coming out of China where the Government is ending law today. Barclays fell sharply late in the session, closing 10 off at 569p while NatWest lost 4 to 350p.

TSB were easily the most active stock among banks with 9.6m shares traded ahead of todays's preliminary figures. Dealers said all the bad news expected with the results was already in the price. At the close TSB were 2 firmer at 133p.

Insurance issues remained under constant pressure with only a handful of exceptions. Lloyds Abbey Life were one, adding 4 at 335p on turnover of 1.4m as UBS Phillips & Drew recommended clients switch out of Legal & General and Prudential and into Lloyds Abbey. Mr. Youssef Zlai, life sector analyst at UBS said Lloyds Abbey's businesses were interest sensitive and the eventual decline in rate would lead to a recovery in profits.

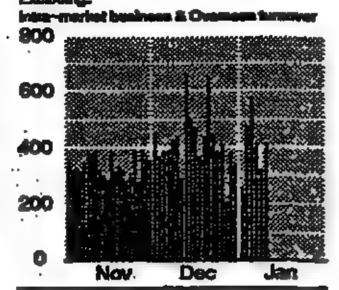
British Telecom held up well, closing unaltered on the day at 301p on good turnover of 5.2m, with a buy recommendation from Shearson Lehman Hutton said to have been partly responsible for the good showing. Mr John Tysoe at Shearson, describing the stock as "a giant awakening" said BT retained a dominant position in the UK telecom market "which is growing at just under 10 per cent and has been virtually recession proof." Mr Tysoe says BT is making large investments in new technology.

**FT-A All-Share Index**




**Equity Shares Traded**

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover




Ferranti added 2 more at 37p, on 5.7m, but dealers and analysts were reluctant to commit themselves on the company "You've no chance of knowing what will happen next," said one. There were stories yesterday that Thomson CSF, the French electronics giant, would eventually do a deal with Ferranti.

A report that a US company, Carrington Laboratories, had been granted a patent on a manufacturing process for an antiviral drug triggered fears that if it were effective against Aids it might hurt Wellcome's profits. Wellcome makes the Aids treatment Retrovir. The shares fell 17 to 758p, but trading was thin with only 648,000 shares changing hands.

A large buyer was reported to have been in the market for Yorkshire Chemicals. The shares added 7 to 373p while it was an upbeat annual meeting which lifted AMI Healthcare. The shares gained 14 to 392p.

Shares in Britannia Security, the business services and alarm installation company, leapt forward strongly after ADT, the electronics, security and car auction group, launched a £110m agreed takeover bid for the company. The shares climbed 26 to 135p remaining below the 140p-a-share offer. Turnover was a strong 11m shares. An analyst said: "The bid makes a lot of sense as ADT stood at number six in the market and this bid lifts them to number two. There is now scope for the elimination of duplication in the combined business." ADT closed 6 down at 195p.

A "buy" note from S.G. Warburg lifted Portals 12 to 284p.

Shares in Metal Closures, the printing and packaging group, hardened 6 to 195p as Wassall, the mini-conglomerate, declared its 160p cash or share alternative hostile offer final. Wassall said its offer would close on January 24. The predator which already has a stake of around 30 per cent in Metal Closures, was reported to have been the major buyer in the market yesterday. Mr Bruce Jones at Kitcat & Aitken said: "Wassall is likely to win. It is a reasonable offer and Metal Closures has not produced a strong defence," a view shared by many observers in the city. Wassall closed 2 lower at 217p.

Parkfield continued to suffer from the poor reception given by the stock market to its figures on the previous day. The shares gave up 12 to 497p

Clayton, moved sharply upwards on the news that Beauford had acquired a 25.1 per cent stake in the company at 275p a share. Clayton Son shares closed 48 up at 270p. Beauford shares were 2 easier at 185p.

Shares in British Aerospace closed a penny off at 573p. They were marked down 10 at 565p early in the trading session following press reports that Airbus Industrie may seek compensation from BAe for lost production as a result of the strike at its Chester and Preston plants.

The shares rallied as bargain hunters moved in, and on reflection that the reports about Airbus Industrie worries had been exaggerated. Dowty lost 7 to 248p in sympathy with BAe.

Rolls-Royce followed the market and gave up 3 to 189p though traders said they had seen "good two-way business."

Vickers were a firm market on talk that representatives of Sir Ron Brierley, the New Zealand businessman who holds a 16.6 per cent stake in Vickers, had been in the market shopping for stock. The shares added 3 to 213p.

The shares gained 15 to 240p.

Trimoco added 1 to 24p on talk that the company may be the next target of Jameel, which is currently bidding for Hartwell. Camford Engineering advanced on talk that Markheath would soon launch a bid for the company. The shares put on 10 at 253p.

Oil and gas stocks remained under pressure from profit-taking caused mainly by the recent slippage in crude oil prices. Shell were notably weak, losing 10 more to 365p albeit in relatively thin turnover of only 1.3m. BP, where turnover was again high at 9.7m, shed 5 to 331p.

Ultramar, a strong performer in the sector during the past few weeks, retreated 10 to 366p, reflecting profit-taking and a more cautious view of the group's US refining business.

British Gas were 4 down at 225½p as BZW took a bearish view on the stock, reflecting its concern about a review of the gas pricing formula and the possibility of a round of earnings downgradings. BZW said its estimate of £1bn historic cost net income for the year to end-March "is 10 per cent below most other commentators but will need to be reduced if the current mild weather continues."

A bid approach for paper merchant Robert Horne boosted the shares 100 to 350p and the "A" shares 84 higher to 292p. One possible suitor mentioned was Dutch paper company Buehrmann-Tetterode. Another paper supplier, David S Smith, climbed 11 to 338p in sympathy. Smith has itself been the subject of bid speculation in recent weeks.

VPI, the corporate communications company, fell 16½ to 55½p after revealing full year profits 54 per cent down at £6.5m. Analysts had expected around £7m.

USM-quoted public relations company Broad Street rose 4½ to 38½ on news that BDDP, the French agency, is to take a 29.9 per cent stake. But the shares trickled back to 35p by the close and one analyst said that the acquisition of the holding had been thought likely for some weeks.

Allied Lyons rose as Grand Metropolitan fell. The price movements combined with some hefty blocks of stock trades on the Seaq ticker, leading dealers to assume a switch had taken place. Allied was the best performer of the day among FT-SE 100 shares, with a rise of 4 to 515p on good volume of 3.6m shares. Grand Met slipped to 646 at one point before closing off the worst at 649p, still 9 lower on the day. Volume was again good at 3.8m. There were also hints that an analyst was about to publish a bullish note on Allied which, among other things, would indicate a break-up value for the company of £9 a share.

Scottish and Newcastle were a firm market against the trend on renewed speculation that Elders IXL, which has 22per cent of the company, had either placed its stake at 352p or was about to place half the stake. Dealers were sceptical but the shares held on to half the early gain to close a net 2 better at 359p.

Hints that WH Smith might sell its Do-it-All diy chain to Ladbroke were treated sceptically by most marketmakers. WH Smith put in a good run nevertheless to close 5 higher at 357p. Ladbroke shed 6 to 340p.

A press report that Tesco was considering a bid for Storehouse, whose shares had a late gain on Tuesday, found few supporters in the market. Dealers preferred to blame a 140 page document on Storehouse, subtitled "The Road to Recovery," published yesterday by Goldman Sachs. The shares added another penny at 124p on tiny volume of 324,000.

■ Other Market statistics, including the FT-Actuaries share index, London Traded Options, and recent issues (including the water issue stocks) Page 22

**NEW HIGHS AND LOWS FOR 1989/90**

NEW HIGHS (88).

BANKS (2) TSB, Warburg (S.G.), BUILDINGS (3) CRH, Kingspan, CHEMICALS (1) Joyce, STORES (1) Dunhill, ELECTRICALS (3) ASEA AB "A", Edisson (LM), Micro Focus, ENGINEERING (2) Clayton Son, Davies & Met., FOODS (1) Nestle, INDUSTRIALS (8) Alfa-Laval AB "A", Barry Wehmiller, CRT, Grafton, Hanson Warrants, Hewtal Whiting, Photo-Me, Sthn. Bus., INSURANCE (2) Britannic, Sturge, NEWSPAPERS (1) Blenheim Ex., PAPERS (1) CIA Grp., SOUTH AFRICANS (3) Barlow Rand, SA Brews., SASOL, TRUSTS (7) Ass. Henriques, Fledgeling Japan, Do. Warrants, Genisis Chile Fd., Mid Wynd Inv. Tst., Pacific Prop. Inv. Tst., Thai Euro Fd., OILS (3) Crossroads Oil, Kingston Oil & Gas, Monument Oil, MINES (15) Ang. Am. Coal, Driefontein, F.S. Cons Gold, Free State Dev., Gold Fields S.A., Hartebeest, OFS Invs., Rand Min. Prps., Randfontein Est., Southvaal, Unisel, Vaal Reefs, Welkom Gold, Western Areas, Winkelhaak, THIRD MARKET (1) Glencar Expln.

NEW LOWS (99).

BRITISH FUNDS (5) Exch. 13½pc 1992, Treas. 8¼pc 2008-12, Treas. 3pc '90 Aft., Consols 2½pc, Treas. 2½pc, INT.BANK & O'SEAS GOVT. STLG. ISSUES (3) Af. Dev. Bk. 11¼pc Ln 2010, Asian Dev. Bk. 10¼pc Ln 2009, Euro Inv. Bk. 11pc Ln 2002, AMERICANS (4) Chrysler, Data Gen., Gen. Host., Lone Star Inds., CANADIANS (2) ECO Corp., Nova Corp. of Alb., BANKS (4) Capt. Leasing, Mitsui Tst & Bnking., Tokai Bank, Toyo Tst & Bnkg., BREWERS (3) Clark (Matthew), Greene King, STORES (3) Great Universal, PML, Sherwood, FOODS (1) Iceland Frozen, INDUSTRIALS (3) Hunting 8¼pc Pf., NMC 7¾pc Pf., RKF Gp., Sharp & Law 8½pc Pf., Young (H), LEISURE (1) Leisure Inv., PAPERS (2) Lawson Mardon, VPI, TEXTILES (1) Tootal, TRUSTS (1) City & Westminster, OILS (1) Intl. Pet. Cpn., MINES (3) Bougainville Kina, Emperor Mines, Kalbara Min., THIRD MARKET (1) Auto's. of Dist.

## BUSINESS LAW

# The UK Government's proposals for restrictive trade practices

**By Leslie Ainsworth**

A RADICALLY new approach to the regulation of restrictive trade practices in the United Kingdom was proposed in the Government's recent White Paper entitled "Opening Markets New Policy on Restrictive Trade Practices."

The White Paper proposes replacing the Restrictive Trade Practices Act 1976 with new legislation modelled on the competition rules of the EC Treaty. A Bill to implement the proposals is expected to be introduced towards the end of the year.

At present the Restrictive Trade Practices Act requires certain kinds of restrictive agreements to be registered with the Office of Fair Trading. The principal penalty for failure to register is that the restrictions in the agreement are unenforceable.

Criticism can be levelled at the present lengthy and complex legislation on the grounds that it catches many agreements that do not raise serious competition issues whilst failing to cover some seriously anti-competitive arrangements.

To meet this criticism the Government's proposed new legislation mirrors Article 85 of the EC Treaty which broadly prohibits agreements and arrangements between two or more businesses which prevent, restrict or distort competition within the Community and affect trade between member states of the EC.

Instead of concentrating on the form of an agreement, the new legislation will be concerned with the *effect* of an agreement or arrangement on competition. This will involve carrying out an economic analysis of the impact of an agreement, taking account of the characteristics of the parties, the products affected and the relevant market. It will no longer be sufficient, as is the case with the Restrictive Trade Practices Act, to look at the wording of the agreement in isolation.

The key features of the new proposals are:

● Prohibition of restrictive agreements: the legislation will contain a broadly worded ban on agreements that restrict or distort competition in the United Kingdom. The prohibition will cover, not only the more obvious kinds of cartel activities such as price fixing, collusive tendering and market sharing between competitors, but also restrictions in "vertical" agreements, for example between suppliers and customers. Any agreement that restricts one of the parties' freedom to determine independently how it trades with third parties is liable to fall foul of the new legislation.

● Individual exemptions: the parties to a restrictive agreement will be able to apply for an exemption from the general ban – but they will have to satisfy the Director General of Fair Trading that the benefits to be gained from the agreement outweigh its anti-competitive effects.

● Block exemption: legislation will be issued which will automatically exempt certain categories of agreements from the general ban. In addition, agreements between businesses whose turnovers are below certain thresholds will not be caught by the legislation.

If the Government's proposals are adopted in the form outlined in the White Paper, businesses trading in the United Kingdom will have to carry out a rapid and detailed review of their existing agreements. Many restrictive agreements that are not at present caught by either the Restrictive Trade Practices Act or by Article 85 of the EC Treaty are likely to be caught by the new legislation.

The Government is only proposing to allow a transitional period of one year after the new legislation comes into force. After that agreements will be fully subject to the new rules even if they were signed before the new legislation was adopted.

If an existing agreement seems likely to infringe the new legislation, consideration will have to be given to attempting to re-negotiate the offending terms of the agreement with the other party or applying for individual exemption before the expiry of the transitional period.

Businesses that enter into restrictive agreements without taking account of the legislation will risk finding that key terms of their contract are not *enforceable* and having substantial *fines* imposed on them by the competition authorities. Fines could be as high as £1m or more.

In addition, the Government is proposing that the directors and managers of a business can be individually liable to fines of up to £100,000 if they are responsible for negotiating or implementing a restrictive agreement that infringes the new legislation. This provision alone may result in management paying more attention to potential competition law problems than has often been the case in the past.

Businesses which *fail* to take account of the new legislation could also face claims for *damages or injunctions* from anyone who has suffered loss as a result of the restrictive agreement. The Government hopes that private actions will become an important enforcement mechanism (as they are under US anti-trust legislation). However, in the absence of a right to claim treble damages, it remains to be seen whether this hope will be fulfilled.

The principal responsibility for enforcing the new legislation will rest with the Office of Fair Trading and a new body, to be called the Restrictive Practices Tribunal. In order to strengthen their ability to investigate suspected breaches of the new legislation, the Government is proposing to give the Office of Fair Trading power to enter business premises, using force if necessary.

Once inside the inspectors will be entitled to examine business records, such as invoices, letters, agreements and notes of meetings and take copies of them. Officials of the EC Commission already have similar powers to carry out investigations at businesses throughout the EC and this has proved an extremely powerful weapon in enforcing the competition rules of the EC Treaty.

The experience of files, briefcases and desks being subjected to a systematic examination by officials from the competition directorate of the EC Commission is something that relatively few (around 40 a year) British companies have yet experienced. Those who have, however, are unlikely to forget it. The granting of similar powers to the Office of Fair Trading, coupled with the power to impose substantial fines on both companies and individuals means businesses operating in the United Kingdom will disregard the new legislation at their peril.

One of the principal concerns about the proposals is their lack of precision. Unless a substantial number of block exemptions are in place before the legislation comes into force, the very broad scope of the proposed ban on anti-competitive agreements will mean that businesses will be faced with the prospect of having to apply for individual exemptions for a substantial number of agreements (or face the risks of infringing the legislation).

If that should happen there would be a serious danger that the Office of Fair Trading would be overwhelmed by the volume of exemption applications. In order to ensure that businesses are not left in a state of uncertainty about the legality and enforceability of agreements, it will be essential that substantial resources are made available to the Office of Fair Trading to enable them to implement the new legislation efficiently.

The task facing the Office of Fair Trading and the new Restrictive Practices Tribunal should not be underestimated. It has taken the EC Commission over 30 years to develop EC competition policy so far and there remain numerous areas of unresolved difficulty.

Even with the benefit of the Commission's experience it is unrealistic to expect the United Kingdom authorities to have a fully developed and clearly defined policy in place within the next two or three years.

*The author is a partner in City solicitors Lovell White Durrant.*



## APPOINTMENTS

# Rank Organisation changes

THE RANK ORGANISATION has appointed Mr James Whittell, formerly responsible for Rank Theatres, as managing director of Butlin's Holidays. Mr Laurie Clarke, formerly responsible for Top Rank Clubs, becomes managing director of Rank Theatres, operating Odeon cinemas.

In the Rank Organisation's precision industries division, Mr Christopher Waldron, formerly responsible for Rank Taylor Hobson, has been appointed managing director of Strand Lighting, succeeding Mr Oliver Hartree who has retired. Mr David Demaine, formerly director of the optic products group of Rank Taylor Hobson, has been appointed general manager of the company.

■ HAWKER SIDDELEY GROUP has appointed Mr Frank W. Mack, a US citizen, as an executive director. He is chairman of Fasco Industries Inc, and Fasco Controls Corporation, and a director of a number of other Hawker Siddeley subsidiaries in the US.

■ Mr Paul Bown has been appointed chairman of CONNELL residential division.

■ BULL HN INFORMATION SYSTEMS has appointed Mr Paul Kirton as director and general manager, marketing and sales.

■ WILTSHIER has appointed Mr Geoff Shaw as managing director of the group's South Midlands company. He was managing director, Kier Management.

■ TAYLOR WOODROW has appointed Mr Ralph Neill as chairman of Taylor Woodrow Plant Company. He was managing director, vehicle section. Mrs Marian Melhuish, company secretary, joins the board. Mr John McKenna has been appointed chairman and joint managing director of Taylor Woodrow Management Contracting, and Mr Mike Hinge has been promoted from assistant managing director to joint managing director; joining the board is Mr Mike Prokopiou.

■ Mr Stephen Bellcini is joining FHF MARKET MAKERS, Birmingham. He was a director of Phillips & Drew.

■ WATMOUGHS (HOLDINGS) has appointed Mr Ernest Crossland as managing director, and Mr Paul Davison as sales director of Laser Services to the board of Jowetts Direct, Leeds.

■ Mr Michael Rumball has been appointed managing director of PSA BUILDING MANAGEMENT, a main operating division of PSA Services. Mr Rumball has held senior appointments in the construction industry, including P & O, Trafalgar House and Costain. The Property Services Agency is being restructured to operate from April 1 on a commercial basis. Re-named PSA Services it is to be privatised, possibly as early as autumn 1992.

■ Mr Malcolm Parker has been appointed finance director of TURRIFF CORPORATION. He was finance director of its construction operations.

■ Mr Simon B. Pendock, chairman of London Bridge Securities, and Mr Mogens Soenderup, chairman of Mikkelsoe Gruppen, Denmark, have been appointed non-executive directors of CROSSROADS OIL GROUP. Mr R.G. Williams and Mr D.A. Cooper have retired from the board.

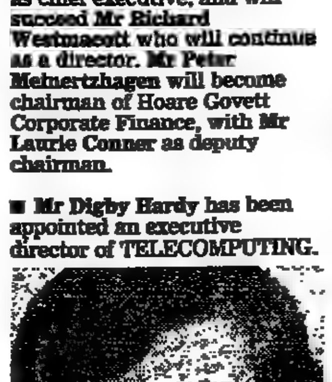
■ Mr Jack Bishop has been appointed regional manager of ROYAL TRUST BANK's north west office, Manchester. He was managing director of E.T. Trust.

■ 3i has appointed Mr John Petrie as local director, Brighton. He succeeds Mr Hugh Richards who has moved to the London office.

■ Mr Bernard C. Tuminey has been appointed as group purchasing director for MAXWELL COMMUNICATIONS worldwide, a new post based in London. He was worldwide purchasing vice president with Hilton International, a subsidiary of Ladbroke Group.

■ SECURITY PACIFIC HOARE GOVETT GROUP has appointed Mr Peter Voss as chairman from March 31. He will retain his current post as chief executive, and will succeed Mr Richard Westmacott who will continue as a director. Mr Peter Meinertzhagen will become chairman of Hoare Govett Corporate Finance, with Mr Laurie Conner as deputy chairman.

■ Mr Digby Hardy has been appointed an executive director of TELECOMPUTING.



Mr Michael Taylor (above) has been appointed chief executive of WESTERN UNION CONSUMER SERVICES, London, to launch the company's money transfer system in the UK. He was head of group marketing for the Mercantile Group, a Barclays Bank subsidiary.

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**Abbey Unit Tst Mngrs (1000)H**

[illegible] 0345 717373

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Grs |
|---|---|---|---|---|---|---|
| High Income | | | | | | |
| American Income | 6 | 51.70 | 54.34 | 57.81 | -0.32 | 4.74 |
| Gilts & Fixed Int | 6 | 107.0 | 107.0 | 113.5 | -0.30 | [illegible] |
| High Inc Equity | 6 | 139.6 | 139.6 | 149.4 | -0.30 | [illegible] |
| Worldwide Bond | 6 | 203.1 | 203.1 | 219.2 | [illegible] | [illegible] |
| Capital Growth | | | | | | |
| American Growth | 6 | 192.0 | 195.0 | 207.5 | -2.90 | 1.06 |
| Asian Pacific | 6 | 125.8 | 128.2 | 136.4 | -1.30 | 0.95 |
| Assets & Earnings | 6 | 162.3 | 162.3 | 173.6 | +0.30 | 2.15 |
| Capital Reserve Acc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Capital Reserve Inc | [illegible] | 78.71 | 78.71 | [illegible] | [illegible] | [illegible] |
| Commodity & Energy | 6 | 117.6 | 117.6 | [illegible] | [illegible] | 1.51 |
| Dividend & Growth | 6 | 47.75 | [illegible] | [illegible] | [illegible] | [illegible] |
| 1992 Enterprise | 6 | 63.95 | 65.05 | 69.21 | [illegible] | [illegible] |
| Euro Capital Acc | 6 | 103.6 | 104.3 | 111.0 | [illegible] | 0.00 |
| Euro Capital Inc | 6 | 99.84 | [illegible] | 107.0 | [illegible] | 0.70 |
| General | 6 | 184.0 | 184.0 | 197.0 | [illegible] | [illegible] |
| International | 6 | 61.62 | [illegible] | [illegible] | [illegible] | [illegible] |
| Japan | 6 | [illegible] | [illegible] | [illegible] | -1.70 | 0.00 |
| Mercantile | 6 | [illegible] | [illegible] | [illegible] | -0.50 | 1.70 |
| UK Growth Acc | 6 | [illegible] | [illegible] | [illegible] | [illegible] | 1.40 |
| UK Growth Dist | 6 | 123.1 | 123.1 | 131.7 | | [illegible] |
| US Emerging Cos | 6 | [illegible] | [illegible] | [illegible] | [illegible] | 0.00 |
| Income & Growth | 6 | 314.0 | 314.0 | 335.9 | [illegible] | [illegible] |
| Ethical | 6 | 49.13 | 49.13 | 52.55 | [illegible] | 1.90 |

**Abtrust Management Ltd (1000)H**

10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

[illegible]

## GUIDE TO UNIT TRUST PRICING

**INITIAL CHARGES**
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

**OFFER PRICE**
The price at which units may be bought.

**BID PRICE**
The price at which units may be sold.

**CANCELLATION PRICE**
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

**TIME**
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ▼ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ● - 1701 to midnight.

**HISTORIC PRICING**
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm guarantee at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

**FORWARD PRICING**
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

**SCHEME PARTICULARS AND REPORTS**
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

# FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Wardley Unit Tst Mngrs Ltd (0900)H** | | | | | | |
| 3 Harbour Exchange, London, E14 9GJ 01-955 5055 | | | | | | |
| American ♦ | 5¼ | 70.74 | 70.74 | 75.65 | -1.21 | 1.4 |
| Intl Growth ♦ | 5¼ | 84.39 | 84.39 | 90.25 | -0.74 | 1.0 |
| Income ♦ | 5¼ | 135.1 | 135.1 | 144.4 | -0.60 | 4.7 |
| Japan Growth ♦ | 5¼ | 243.5 | 243.5 | 260.4 | -2.40 | 0.1 |
| Pacific Perf ♦ | 5¼ | 160.3 | 160.3 | 171.4 | -0.6 | 0.1 |
| Small Co's ♦ | 5¼ | 136.1 | 136.1 | 145.5 | -0.20 | 1.4 |
| Technology | 5¼ | 34.21 | 34.21 | 36.58 | +0.07 | 0.1 |
| Australia | 5¼ | 63.64 | 63.64 | 68.06 | -0.65 | 3.4 |
| UK Trust ♦ | 5¼ | 185.8 | 185.8 | 198.7 | -0.90 | 2.6 |
| European Growth ♦ | 5¼ | 77.79 | 78.43 | 83.89 | +0.16 | 0.1 |
| Hong Kong ♦ | 5¼ | [illegible] | [illegible] | [illegible] | -0.28 | 1.8 |
| Intl Income | 5¼ | [illegible] | [illegible] | [illegible] | -0.18 | 7.2 |
| S'gpr & Mlya Gth | 5¼ | 42.10 | 41.50 | 44.39 | .... | 0.1 |
| British Warrants ♦ | 5¼ | 27.61 | 27.61 | 29.52 | -0.04 | 1.8 |
| Japan Smllr Cos ♦ | 5¼ | 32.63 | 32.72 | 35.00 | +0.10 | 0.1 |
| **Waverley Unit Tst Mngmt Ltd (1000)F** | | | | | | |
| 13 Charlotte Sq, Edinburgh 031-225 1551 | | | | | | |
| Australasian Gold | 6 | 15.47 | 15.47 | 16.45 | .... | 0.00 |
| Pacific Basin | 6 | 31.20 | 31.20 | 33.19 | +0.32 | 0.60 |
| Can Balncd Gwth ♦ | [illegible] | 47.18 | 47.18 | 50.19 | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Penny Share | 6 | 29.46 | 29.46 | 31.34 | +0.03 | 0.50 |
| **Wellington Fund Mngrs Ltd (1200)F** | | | | | | |
| 2, London Bridge, SE1 01-407 4404 | | | | | | |
| Wellington Income | 5¼ | 147.3 | [illegible] | 158.0 | -0.3 | [illegible] |
| [illegible] | [illegible] | 243.4 | [illegible] | 261.6 | +0.5 | [illegible] |
| **Wessex Asset Management (1330)F** | | | | | | |
| 1 Richmond Hill, Bournemouth BH2 6HW 0202 294432 | | | | | | |
| Wessex UK Gwth | 4½ | 114.8 | 118.2 | 123.1 | -0.3 | 5.78 |
| **Whittingdale Unit Tst Mgmt Ltd** | | | | | | |
| 2 Honey Lane, London EC2V 8BT 01-606 3132 | | | | | | |
| Challenger & F | 2¼ | 61.54 | 61.54 | 63.11 | -0.32 | 0.00 |
| Short Gld Gilt ♦ F | 1¼ | 83.05 | 83.05 | 84.17 | -0.05 | [illegible] |
| U.S. Govmt Bond ♦ F | 1¼ | 0.5790 | .5790 | .5866 | [illegible] | 0.00 |
| **Willaire Financial Services Ltd (0905)F** | | | | | | |
| PO Box 515, 6 Broadgate, London EC2 01-588 7511 | | | | | | |
| Aust Friars W'wide | 5 | 206.6 | 210.1 | 223.5 | -3.3 | 2.36 |
| **Windsor Trust Mngrs Ltd (1200)F** | | | | | | |
| 83 Kingsway, London WC2B 6SD | | | | | | |
| Capital & Equity | 5 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| European | 5 | 83.42 | [illegible] | 89.02 | +0.40 | [illegible] |
| Far Eastern | 5 | 78.74 | 79.15 | 84.20 | -0.03 | 0.58 |
| Growth Inc | 5 | 80.40 | 80.40 | 85.71 | +0.19 | 0.57 |

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **AEtna Life Insurance Co Ltd—Contd.** | | | | |
| Pension Funds (Accumulation Units) | | | | |
| Squirrel | 15.91 | 16.75 | .... | — |
| Bear | 17.71 | 18.65 | -0.03 | — |
| Owl | 23.63 | 24.88 | .... | — |
| Bull | 20.76 | 21.86 | -0.07 | — |
| Stag | 20.18 | 21.25 | -0.04 | — |
| Gilt Edged | 13.95 | | -0.02 | — |
| Deposit | 13.60 | | +0.01 | — |
| North American | 10.61 | 11.17 | -0.03 | — |
| European | 12.38 | 13.04 | -0.04 | — |
| Property | 12.29 | 12.94 | +0.05 | — |
| Index-Linked | 12.05 | 12.69 | -0.04 | — |
| Far Eastern | 14.59 | 15.36 | -0.12 | — |
| UK Equity | 16.15 | 17.00 | +0.02 | — |
| Fixed Interest | 12.19 | 12.84 | -0.01 | — |
| Gilt Edged (97) | 10.09 | 10.63 | -0.01 | — |
| 1982 Series | | | | |
| Managed | 306.24 | 322.36 | -0.90 | — |
| Pre 1982 Series | | | | |
| Aetna Life | | | | |
| 3 Way | 732.83 | 732.84 | -2.08 | — |
| Equity Pensions | 1288.41 | 1288.42 | -0.41 | — |
| Aetna Pensions Ltd | | | | |
| 3-Way Managed | 641.63 | 641.63 | -7.82 | — |
| Exempt Approved | | | | |
| Mixed Managed | 224.03 | 228.41 | -0.14 | — |
| Gilt Edged | 13.95 | | -0.01 | — |
| **Albany Life Assurance Co Ltd** | | | | |
| 3 Darkes Lane, Potters Bar EN6 1AJ 0707 42311 | | | | |
| Life Funds | | | | |
| Brit Blue Chip Fd Acc(z) | 150.7 | 158.6 | -0.3 | — |
| Equity Fd Acc(z) | 1103.9 | 1161.9 | +0.2 | — |
| European Fd Acc(z) | 292.8 | 308.2 | +2.3 | — |
| Intl Fxd Int Fd Acc(z) | 213.6 | 224.8 | -0.6 | — |
| Fixed Int Acc(z) | 347.9 | 366.2 | -1.8 | — |
| Gtd Money Fd Acc(z) | 246.0 | 258.9 | .... | — |
| High Income Fd Acc(z) | 124.6 | 131.2 | -0.1 | — |
| Intl Man Fd Acc(z) | 433.9 | 456.7 | -2.7 | — |
| Japan Fd(z) | 313.9 | 330.4 | -0.4 | — |
| UK Smllr Co's Fd Acc(z) | 115.8 | 121.9 | -1.2 | — |
| Europlus Metro | 129.0 | 135.8 | +0.5 | — |
| Global Metro | 109.9 | 115.6 | -0.4 | — |
| Sunrise Metro | 128.1 | 134.8 | -0.2 | — |
| UK Metro | 115.1 | 121.1 | -0.1 | — |
| Nth American Fd Acc(z) | 215.2 | 226.4 | -0.1 | — |
| Pac Basin Fd Acc(z) | 169.2 | 178.1 | -0.1 | — |
| Prop Fd Acc(z) | 344.5 | 362.4 | +0.1 | — |

## OTHER UK UNIT TRUSTS

## INSURANCES

Continued on next page

# FT UNIT TRUST INFORMATION SERVICE

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### Prolific Life & Pensions Ltd
Stramongate, Kendall Cumbria LA9 4BE 0539 733733
Managed Fund see Balanced Growth Managed Fund

| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| **Life Funds** | | | | |
| Balanced Gwth Mngd | 627 0 | 660 7 | −0.1 | − |
| Adventurous Mngd | 137 8 | 145 3 | −0 7 | − |
| Secure Mngd | 111 0 | 117 0 | −0 2 | − |
| Cash Fd | 244 6 | 257 8 | | − |
| Property Fund | 301.4 | 317 6 | | − |
| Equity Fund | 716 8 | 755 4 | −0 3 | − |
| Fxd Int. Fund | 295 3 | 311 2 | +0 1 | − |
| International | 343 1 | 365 1 | +1.3 | − |
| High Income | 468 5 | 495 5 | −0 9 | − |
| Far East | 466 3 | 496 1 | −2.3 | − |
| North American | 291 5 | 310 2 | −2 8 | − |
| Special Sits | 649 3 | 690 8 | −0 5 | − |
| Technology | 266 5 | 283 2 | −2 1 | − |
| Extra Inc Fd | 281 8 | 299 9 | −0 8 | − |
| Convertible & Gilt Fd | 153 7 | 163 6 | −0 3 | − |
| American Income | 135 5 | 144 2 | −1.6 | − |
| Gilt Fund 20 | 301 5 | 320 8 | −1 3 | − |
| European Fund | 119 4 | 127 1 | −1.2 | − |
| Pref & Fixed Int | 96 3 | 101 5 | −0 2 | − |
| Equity Income Dist | 101 5 | 107 0 | −0 4 | − |
| Managed Dist | 99 6 | 105 0 | −0 2 | − |
| **Pension Funds** | | | | |
| Balncd Gth Mgd Pens Acc | 602.9 | 634 7 | −0 6 | − |
| Adventurous Mgd Pens Acc | 131 2 | 138 2 | −0 9 | − |
| Secure Mngd Pens Acc | 110 2 | 116.1 | −0 3 | − |
| Building Soc Acc | 260 3 | 274 0 | − | − |
| Property Pens Acc | 308 6 | 324 9 | | − |
| Fix Int Pens Acc | 418 0 | 440 1 | −1 4 | − |
| Equity Pens Acc | 796 6 | 838.6 | −0 9 | − |
| International Pens Acc | 323 5 | 340 6 | +1 3 | − |
| High Inc Pens Acc | 506 6 | 533 3 | −1 4 | − |

[illegible]

### Royal Heritage Life Assurance Ltd
20 Clifton St, EC2A 4HX 01-920 0202/0733 262524

| | Bid Price | Offer Price | + or − | Yield Gross |
|---|---|---|---|---|
| Multi Gwth | 508 75 | | | − |
| Multi Gwth "A" | 508.7 | 535.5 | | − |
| Op Prop | 416 6 | 438.6 | −0.1 | − |
| Op Equity | 768.6 | 809.1 | −0.1 | − |
| Op High Yld | 352.6 | 371.2 | −1.1 | − |
| Op Man | 597.9 | 629 4 | −1 2 | − |
| Op Dep | 288.2 | 303 4 | +0 4 | 14 75 |
| Op Inc Dist | 202.1 | 212.8 | −0.3 | 7.67 |
| Op Ito Man | 340 4 | 358 4 | −2.5 | − |
| Op Emerging Co's | 296 7 | 312.4 | − | − |
| **Pension Funds—Series B & C Acc.** | | | | |
| Property | 753 1 | 792.8 | | − |
| Equity | 1974 8 | 2078 8 | −3 6 | − |
| Fixed Interest | 642.7 | 676 6 | −2 3 | − |
| Managed | 1052.3 | 1107 7 | −3 3 | − |
| Deposit | 558 7 | 588 7 | +1.6 | 14 15 |
| Gartmore Global | 197 2 | 207.6 | −0 7 | − |
| Gartmore NA | 96 8 | 101 9 | −0.3 | − |
| Gartmore Pacific | 257 0 | 270.6 | −1.6 | − |
| Henderson Acc | 202.8 | 213 5 | − | − |
| Perpetual Mng | 206 4 | 217.3 | −0 9 | − |
| Framlington Mng | 192.8 | 203 0 | −0 7 | − |
| Gartmore Pen Mngd | 199 5 | 210 1 | +0 1 | − |
| Gartmore Pen Euro | 157 9 | 166 3 | −0 2 | − |
| Beckman Pension Fund | 126 1 | 132 8 | | − |
| Suffolk Cap Pen Fd | 116 9 | 123 1 | +0 2 | − |
| IMC Pen SB Ser B | 95 0 | 100.0 | − | − |
| **Pension Funds—Series D** | | | | |
| Property | 191 5 | 191 5 | | − |
| Equity | 132 3 | 132 3 | −0 2 | − |
| Fixed Interest | 157 9 | 157 9 | −0 6 | − |
| Managed | 133 4 | 133 4 | −0 4 | − |
| Deposit | 164 2 | 164 2 | +0 4 | − |

[illegible]

### Scottish Mutual Investments—Contd.

[illegible]

### Scottish Provident Institution
6 St Andrews Sq, Edinburgh

[illegible]

## OFFSHORE AND OVERSEAS

### GUERNSEY (SIB RECOGNISED)

[illegible]

### MANAGEMENT SERVICES

[illegible]

### JERSEY (SIB RECOGNISED)

[illegible]

### IoM (SIB RECOGNISED)

[illegible]

### LUXEMBOURG (SIB RECOGNISED)

[illegible]

### SWITZERLAND (SIB RECOGNISED)

[illegible]

### CANADA (SIB RECOGNISED)

[illegible]

### GUERNSEY (**)

[illegible]

هكذا من الأصل

# FT UNIT TRUST INFORMATION SERVICE

JERSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

# LONDON SHARE SERVICE

## BRITISH FUNDS

### "Shorts" (Lives up to Five Years)

| 1989/90 High | Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 99 | 98 | Exch 11pc 1990 | 99 | ..... | 11.03 | 14.75 |
| 101 | 99 | Exch. 12½pc 1990 | 99 | +1/32 | 12.56 | 14.72 |
| 97 | 91 | Treas. 3pc 1990 | 97 | ..... | 3.08 | 11.67 |
| 97 | 95 | Treas 8¼pc 1987–90 | 97 | +1/32 | 8.44 | 13.72 |
| 98 | 95 | Treas. 8pc Cv 1990 | 97 | +1/32 | 8.22 | 13.65 |
| 98 | 96 | Treas. 10pc Cv 1990 | 96 | ..... | 10.31 | 14.15 |
| 93 | 87 | Exch 2½pc 1990 | 93 | ..... | 2.68 | 10.82 |
| 101 | 98 | Treas 11¾pc 1991 | 98 | ..... | 11.96 | 13728 |
| 93 | 89 | Funding 5¾pc '87–91 | 93 | –¼ | 6.18 | 11.97 |
| 90 | 86 | Treas. 3pc 1991 | 90 | –⅛ | 3.31 | 10.73 |
| 100 | 95 | Treas 10pc Cv '91 | 96 | +1/32 | 10.42 | 13.05 |
| 101 | 96 | Exch. 11pc 1991 | 97 | –⅛ | 11.34 | 12.89 |
| 94 | 91 | Treas. 8pc 1991 | 92 | –⅛ | 8.69 | 12.80 |
| 106 | 100 | Treas 12¾pc 1992 | 100 | –⅛ | 12.67 | 12.42 |
| 99 | 95 | Treas 10pc 1992 | 95 | –⅛ | 10.48 | 12.49 |
| 94 | 90 | Treas. 8pc 1992 | 91 | –⅛ | 8.74 | 12.39 |
| 100 | 96 | Treas 10¼pc Cv 1992 | 96 | –⅛ | 10.88 | 12.25 |
| 85 | 82 | Treas. 3pc 1992 | 84 | –⅛ | 3.54 | 10.35 |
| 105 | 99 | Exch. 12¼pc '92 | 99 | –⅛ | 12.28 | 12.31 |
| 109 | 102 | Exch 13½pc 1992 | 102 | –⅛ | 13.11 | 12.14 |
| 94 | 90 | Treas 8¼pc 1993 | 90 | –⅛ | 9.10 | 11.92 |
| 100 | 95 | Treas 10pc 1993 | 95 | –⅛ | 10.48 | 11.70 |
| 108 | 101 | Treas 12½pc 1993 | 102 | –⅛ | 12.24 | 11.75 |
| 88 | 84 | Funding 6pc 1993 | 85½ | –⅛ | 7.00 | 10.81 |
| 113 | 106 | Treas 13¾pc 1993 | 106 | –⅛ | 12.93 | 11.64 |
| 94 | 89 | Treas. 8½pc 1994 | 90 | –⅛ | 9.44 | 11.64 |
| 117 | 109 | Treas 14½pc 1994 | 109 | –⅛ | 13.20 | 11.44 |
| 113 | 106 | Exch 13½pc 1994 | 106 | –⅛ | 12.70 | 11.57 |
| 100 | 94 | Treas. 10pc Ln. 1994 | 95 | –⅛ | 10.89 | 11.38 |
| 110 | 102 | Exch. 12½pc 1994 | 103 | –⅛ | 12.10 | 11.53 |
| 96 | 91 | Treas 9pc 1994 | 91½ | –⅛ | 9.85 | 11.34 |

### Five to Fifteen Years

| 1989/90 High | Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 108 | 101 | Treas 12pc 1995 | 102 | –⅛ | 11.76 | 11.45 |
| 79 | 72 | Exch 3pc Gas 90–95 | 76 | ..... | 3.94 | 8.57 |
| 101 | 95 | Exch. 10¼pc 1995 | 95 | –⅛ | 10.70 | 11.31 |
| 113 | 106 | Treas 12¾pc 1995 | 106 | –⅛ | 11.97 | 11.18 |
| 119 | 110 | Treas. 14pc '96 | 111 | –⅛ | 12.60 | 11.40 |
| 97 | 90 | Treas. 9pc 1992–96 | 90 | –⅛ | 9.91 | 11.09 |
| 126 | 117 | Treas 15¼pc 1996 | 117 | –⅛ | 12.95 | 11.24 |
| 117 | 108 | Exch 13¼pc 1996 | 109 | –⅛ | 12.14 | 11.19 |
| 101 | 94 | Conversion 10pc 1996 | 95 | –⅛ | 10.54 | 11.07 |
| 118 | 109 | Treas 13¼pc 1997 | 110 | –⅛ | 12.03 | 11.12 |
| 104 | 96 | Exch 10½pc 1997 | 97 | –⅛ | 10.80 | 11.06 |
| 95 | 88 | Treas 8¾pc 1997 | 89 | –⅛ | 9.80 | 10.84 |
| 128 | 118 | Exch 15pc 1997 | 118 | –⅛ | 12.61 | 11.27 |
| 100 | 93 | Exch. 9¾pc 1998 | 93 | –⅛ | 10.39 | 10.91 |
| 84 | 78 | Treas 6¾pc 1995–98 | 79 | –⅛ | 8.39 | 10.50 |
| 134 | 123 | Treas. 15½pc '98 | 124 | –⅛ | 12.48 | 11.09 |
| 113 | 105 | Exch. 12pc 1998 | 105 | –⅛ | 11.38 | 11.01 |
| 100 | 92 | Treas 9½pc 1999 | 93 | –⅛ | 10.17 | 10.66 |
| 115 | 106 | Exch. 12¼pc 1999 | 107 | –⅛ | 11.42 | 10.97 |
| 105 | 97 | Treas. 10½pc 1999 | 97 | –⅛ | 10.72 | 10.86 |
| 104 | 96 | Conversion 10¼pc 1999 | 96 | –⅛ | 10.63 | 10.84 |
| 94 | 86 | Treas. 8½pc Ln 2000 | 87¼ | –⅛ | 9.73 | 10.56 |
| 97 | 89 | Conversion 9pc 2000 | 90 | –⅛ | 9.96 | 10.57 |
| 122 | 112 | Treas. 13pc 2000 | 112 | –⅛ | 11.56 | 10.97 |
| 103 | 95 | Treas 10pc 2001 | 95 | –⅛ | 10.47 | 10.68 |
| 124 | 114 | Treas. 14pc '98–01 | 124 | –⅛ | 12.19 | 11.21 |
| 102 | 93 | Conversion 9¾pc 2001 | 94 | –⅛ | 10.35 | 10.64 |
| 113 | 104 | Exch. 12pc '99–02 | 105 | –⅛ | 11.39 | 11.04 |
| 104 | 95 | Conversion 10pc 2002 | 95 | –⅛ | 10.43 | 10.61 |
| 102 | 94 | Treas 9¾pc 2002 | 94 | –⅛ | 10.35 | 10.58 |
| 97 | 89 | Exch. 9pc 2002 | 89 | –⅛ | 10.07 | 10.51 |
| 126 | 116 | Treas. 13¾pc 2000–03 | 116 | –⅛ | 11.77 | 11.01 |
| 105 | 96 | Treas 10pc 2003 | 96 | –⅛ | 10.35 | 10.46 |
| 113 | 103 | Treas. 11½pc 2001–04 | 104 | –⅛ | 11.03 | 10.83 |
| 106 | 96 | Treas. 10pc 2004 | 97 | –⅛ | 10.32 | 10.42 |
| 59 | 54 | Funding 3½pc '99–04 | 54 | –⅛ | 6.42 | 9.26 |
| 102 | 93½ | Conversion 9½pc 2004 | 93 | –⅛ | 10.14 | 10.34 |

### Over Fifteen Years

## BRITISH FUNDS–Contd

| 1989/90 High | Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 103 | 93½ | Conversion 9½pc 2005 | 93 | –⅛ | 10.12 | 10.30 |
| 111 | 101½ | Exch.10½pc 2005 | 101 | –⅛ | 10.33 | 10.29 |
| 125 | 114 | Treas. 12½pc 2003–05 | 114 | –⅛ | 10.92 | 10.49 |
| 90 | 82 | Treas. 8pc 2002–06 | 82 | –⅛ | 9.73 | 10.23 |
| 118 | 108 | Treas. 11¾pc 2003–07 | 108 | –⅛ | 10.80 | 10.50 |
| 96 | 86 | Treas 8½pc 2007 | 87 | –⅛ | 9.73 | 10.05 |
| 134 | 122 | Treas. 13½pc '04–08 | 122½ | –⅛ | 11.03 | 10.43 |
| 101 | 91 | Treas. 9pc 2008 | 91 | –⅛ | 9.82 | 9.98 |
| 94 | 91 | Treas. 9pc 2008 B | 91 | –⅛ | 9.82 | 9.98 |
| 92 | 83 | Treas 8pc 2009 | 83 | –⅛ | 9.60 | 9.94 |
| 102 | 91 | Conv 9pc Ln 2011 | 91 | –⅛ | 9.79 | 9.91 |
| 68 | 61 | Treas. 5½pc 2008–12 | 61 | –⅛ | 8.95 | 9.75 |
| 89 | 80 | Treas. 7¾pc 2012–15 | 80 | –⅛ | 9.64 | 9.87 |
| 132 | 118 | Exch. 12pc '13–'17 | 118 | –⅛ | 10.11 | 9.93 |

### Undated

| 1989/90 High | Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 45 | 40 | Consols 4pc | 40¼ | –⅛ | 9.94 | – |
| 40 | 35 | War Loan 3½pc | 35 | –⅛ | 9.82 | – |
| 70 | 60 | Conv. 3½pc '61 Aft. | 61 | –⅛ | 5.74 | – |
| 41 | 31 | Treas. 3pc '66 Aft. | 31 | –⅛ | 9.49 | – |
| 30 | 25 | Consols 2½pc | 25 | –⅛ | 9.95 | – |
| 29 | 24 | Treas. 2½pc | 24 | –⅛ | 10.10 | – |

### Index-Linked

| 1989/90 High | Low | Stock (b) | Price £ | + or – | (1) | (2) |
|---|---|---|---|---|---|---|
| 112 | 103 | Tr 2pc '92(97.8) | 112 | –¼ | 3.13 | 4.30 |
| 105 | 94 | Do. 2'94 (102.9) | 105 | –½ | 2.95 | 3.53 |
| 155 | 139 | Do 2pc '96(67.9) | 155 | –⅛ | 3.03 | 3.42 |
| 131 | 118 | Do 2½pc '01(78.3) | 130 | –⅛ | 3.47 | 3.72 |
| 128 | 115 | Do. 2½pc '03(78.8) | 127 | –¼ | 3.54 | 3.76 |
| 131 | 117 | Do. 2pc '06(69.5) | 130 | –¼ | 3.57 | 3.75 |
| 123 | 110 | Do. 2½pc '09(78.8) | 121 | –¼ | 3.56 | 3.73 |
| 128 | 114 | Do. 2½pc '11(74.6) | 127 | –¼ | 3.55 | 3.71 |
| 107 | 95 | Do 2½pc '13(89.2) | 105 | –¼ | 3.53 | 3.68 |
| 115 | 101 | Do. 2½pc '16(81.6) | 114 | –¼ | 3.49 | 3.63 |
| 113 | 100 | Do. 2½pc '20(83.0) | 111 | –¼ | 3.45 | 3.57 |
| 95 | 84 | Do. 2½pc '24(97.7) | 94 | –¼ | 3.41 | 3.52 |

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing. (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for April 1989: 114.3 and for November 1989: 118.5.

## INT. BANK AND O'SEAS

| 1989/90 High | Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 108 | 97 | African Dv Bk 11¼ Ln 2010 | 97 | –⅛ | 11.37 | 11.39 |
| 104 | 93 | Asian Dev Bk 10¼pcLn2009 | 93 | –⅛ | 10.91 | 11.01 |
| 130 | 117 | Australia 13½pc 2010 | 117 | –⅛ | 11.46 | 11.26 |
| 113 | 101 | Do. 11¾pcLn2015 | 101 | –⅛ | 11.23 | 11.22 |
| 110 | 98 | Euro Inv Bk 11pc Ln 2002 | 98 | –½ | 11.18 | 11.23 |
| 119 | 107 | Int-Am Dev Bk 12½pc 2003 | 107 | –⅛ | 11.63 | 11.38 |
| 99 | 89 | Do. 9¾pcLn 2015 | 89 | +⅛ | 10.92 | 11.06 |
| 97 | 89 | Mlysia 10¾pcLn 2009 | 89 | –½ | 12.01 | 13.08 |
| 120 | 110 | Utd. Mexican States 16½pc 2008 | 110 | ..... | 15.00 | 14.90 |

## CORPORATION LOANS

| 1989/90 High | Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 111 | 95½ | Birmingham 11½pc 2012 | 100½ | ..... | 11.44 | 11.40 |
| 91 | 85½ | GLC 6¾pc 1990–92 | 88½ | ..... | 7.63 | 12.80 |
| 124 | 115 | Leeds 13½pc 2006 | 116½ | ..... | 11.59 | 11.25 |
| 33 | 29 | Liverpool 3½pc Irred. | 29 | ..... | 12.07 | – |
| 95½ | 92 | LCC 6¾pc '88–90 | 95½ | ..... | 7.07 | 11.60 |
| 30 | 26 | Do. 3pc '20 Aft. | 27 | ..... | 11.11 | – |
| 107½ | 99½ | Manchester 11½pc 2007 | 101½ | ..... | 11.33 | 11.30 |

## COMMONWEALTH & AFRICAN LOANS

| 1989/90 High | Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 89½ | 86½ | NZ 7¼pc 1988–92 | 87½ | ..... | 8.29 | 12.40 |
| 206 | 206 | S Rhod 2½pc Non-Assd | 204 | ..... | – | – |
| 84½ | 84½ | Do. 4½pc 87–92 Assd | 84½ | ..... | 5.33 | 9.33 |

## LOANS

### Building Societies

| 1989/90 High | Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 100 | 98 | N'wide Anglia 12⅞pc 29.1.90 | 99 | ..... | 12.58 | 14.91 |
| 100 | 98 | Do 12⅞pc 26.2.90 | 99 | .... | 12.76 | 15.28 |
| 100 | 98 | Do. 12⅞pc 19.3.90 | 99 | ..... | 12.94 | 15.20 |
| 100 | 98 | Do. 13⅛pc 23.4.90 | 99 | ..... | 13.46 | 15.17 |
| 100 | 98 | Do. 13pc 14.5.90 | 99 | ..... | 13.80 | 15.14 |
| 100 | 98 | Do. 13⅞pc 4/6/90 | 99 | ..... | 13.76 | 15.07 |
| 100 | 99 | Do 14⅛pc 2.7.90 | 99 | . | 14.36 | 14.99 |
| 100 | 98 | Do. 13⅝pc 23.7.90 | 99 | ... | 13.71 | 14.97 |
| 100 | 98 | Do. 13⅞pc 13.8.90 | 99 | ... | 13.56 | 14.96 |
| 100 | 98 | Do. 13½pc Bds 3.9.90 | 99 | ..... | 13.63 | 14.85 |
| 109 | 98½ | Do 3¾pcIL Ln 2021 | 108 | ..... | 4.30 | 4.53 |
| 109 | 99 | Do. 4.25pcIL '24 | 107½ | ..... | 4.28 | 4.33 |

### Public Board and Ind.

| 1989/90 High | Low | Stock | Price £ | + or – | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 47 | 43 | Met. Wtr 3pc 'B' | 45 | .... | 6.67 | 10.86 |

## FOREIGN BONDS & RAILS

| 1989/90 High | Low | Stock | Price £ | + or – | Div % Gross | Red. Yield |
|---|---|---|---|---|---|---|
| 50 | 40 | Greek 7pc Ass. | 50 | ..... | 3.50 | 7.00 |
| 50 | 40 | Do. 6pc 28 Stb. Ass. | 50 | – | 3 | 6.00 |
| 50 | 40 | Do 4pc Mixed Ass. | 50 | ... | 2 | 4.00 |
| 80 | 65 | Hung. '24 Ass. | 80 | ... | 2.75 | 3.57 |
| 139 | 125 | Hydro Quebec 15pc 2011 | 125 | –⅛ | 15.00 | 11.72 |
| 128 | 113 | Iceland 14½pc Ln 2016 | 115 | .. | 14.50 | 12.54 |
| 97 | 90 | Ireland 9¾pc '91–96 | 90 | ..... | 10.74 | 11.90 |

## AMERICANS

| 1989/90 High | Low | Stock | Price £ | + or – | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 44 | 26½ | Abbott Laboratories | 41 | –½ | $1.40 | – | 2.2 |
| 579p | 361p | Allegheny & W 1c | 511p | –10 | 30c | – | 3.7 |
| 18 | 12 | Amax $1 | 14 | +⅛ | 80c | – | 3.4 |
| 11 | 6 | Ambase Corp $1 | 6 | –⅛ | 20c | – | 1.8 |
| 15 | 695p | Amdahl 5c | 887p | +20 | h10c | – | 0.7 |
| 37 | 25½ | Amer. Cyanamid $5 | 32 | –⅛ | $1.35 | – | 2.6 |
| 25 | 14 | Amer Express 60c | 20½ | –⅛ | 92c | – | 2.9 |
| 29 | 15 | American T & T $1 | 27 | –⅛ | $1.20 | – | 2.8 |
| 42 | 26 | Ameritech $1 | 38 | –⅛ | h$2.92 | – | 4.8 |
| 659p | 490p | Asiamerica Equity | 536p | ..... | – | – | – |
| 22 | 9 | BankAmerica $1 | 16½ | –⅛ | 60c | – | 2.3 |
| 37 | 19 | Bankers N Y $1 | 24 | –1 | $2.12 | – | 5.5 |
| 70 | 38½ | Bell Atlantic $1 | 63 | –2 | $4.40 | – | 4.4 |
| 36 | 19 | BellSouth Corp. | 33 | –⅛ | $2.52 | – | 4.8 |
| 15 | 9 | Bethlehem Steel $8 | 11 | –⅛ | 40c | – | 2.3 |
| 12 | 868p | Bio-Rad Labs. A | 10 | | – | – | – |
| 20 | 15 | Bowater Inc. | 16 | –⅛ | $1.20 | – | 4.6 |
| 12 | 8 | Brunswick 75c | 8 | –⅛ | 44c | – | 3.3 |
| 46 | 28 | CPC Intnl 25c | 43 | –⅛ | $1.80 | – | 2.6 |
| 863p | 333p | California Engy | 721p | | – | – | – |
| 36 | 17 | Campbell Soup 15c | 30 | –⅛ | $1.00 | – | 2.1 |
| 28 | 15 | Chase Manhattan $12½ | 19 | –1 | $2.36 | – | 7.8 |
| 26 | 17 | Chem Banking Corpn. | 18 | –⅛ | $2.72 | – | 9.5 |
| 17 | 11 | Chrysler $6¼ | 11 | –⅛ | $1.20 | – | 6.7 |
| 22 | 14 | Citicorp $1 | 16 | –⅛ | $1.62 | – | 6.3 |
| 41 | 25 | Colgate-Palmolive $1 | 37 | +⅛ | $1.48 | – | 2.5 |
| 17 | 10 | Cont'l Bank Corp $4 | 12½ | –⅛ | $1.00 | – | 5.1 |
| 410p | 218p | Corporate Data Sences | 291p | | – | – | – |
| 27½ | 20 | Dana Corp. $1 | 21 | –⅛ | $1.60 | – | 4.8 |
| 12 | 691p | Data General | 691p | –53 | – | – | – |
| 38 | 26 | Dun & Bradstreet $1 | 27 | –⅛ | $2.00 | – | 4.7 |
| 43 | 24½ | Eaton Corpn. 50c | 33 | –⅛ | h$2.00 | – | 3.8 |
| 11 | 8 | Echlin Inc. | 8 | –⅛ | 70c | – | 5.0 |
| 22 | 16 | FPL Group 1c | 20 | –⅛ | $2.28 | – | 7.1 |
| 23 | 13 | Fluor Corp 62½pc | 22 | –⅛ | 24c | – | 0.7 |
| 35 | 25 | Ford Motor $1 | 26 | –⅛ | $3.00 | – | 7.2 |
| 41 | 24 | Gen. Elect. 63c | 38 | –1 | $1.68 | – | 3.1 |
| 579p | 353p | General Host Corp $1 | 353p | –2 | 30c | – | 5.4 |
| 39 | 18 | Gillette $1 | 29 | –⅛ | 96c | – | 2.1 |
| 987p | 357p | Gt American Bank Bk $1 | 414p | –16 | 20c | – | 3.1 |
| 23 | 16 | Greyhound $1½ | 18 | –⅛ | $1.32 | – | 4.5 |

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

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## AMERICANS—Contd

| 1989/90 High | Low | Stock | Price £ | + or – | Div Gross | C'vr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 15¾ | 847p | Hasbro Inc 50c | [illegible] | –¼ | 16c | – | 0.8 |
| 57½ | 32¼ | Honeywell $1½ | 52 | –⅞ | $2.75 | – | 3.3 |
| 22½ | 15¼ | Houston Inds.‖ | 20½ | –½ | $2.96 | – | 9.0 |
| 76½ | 58⅛ | IBM Corpn $1¼ | 59⅞ | –1 | [illegible] | – | 5.1 |
| 60p | 45p | Image Storage/R Sys 1c. | 48p | ... | | – | – |
| 32½ | 26¾ | Ingersoll-Rand $2 | 32¼ | –⅛ | $2.20 | – | [illegible] |
| 33¼ | 22½ | Lockheed Crpn. $1 | 24⅞ | –⅛ | $1.80 | – | 4.6 |
| 22⅝ | 9⅞ | Lone Star Inds $1 | 9⅛ | –⅛ | $1.90 | – | [illegible] |
| 28 | 17½ | Louisiana Land 15c | 24⅛ | –⅛ | $1.00 | – | 2.5 |
| 20½ | 11½ | Lowe's 50c | 17⅛ | –⅛ | 52c | – | 1.8 |
| 28½ | 15⅞ | Manuf. Hanover $1 | 19⅛ | –⅛ | $3.28 | – | 10.4 |
| 22⅝ | 13⅛ | Merrill Lynch $1 | 15⅛ | –⅛ | $1.00 | – | 4.0 |
| 24¾ | 19⅛ | Molex Inc | 22⅝ | –⅛ | 3.2c | – | – |
| 30¾ | 18⅛ | Morgan (JP) $2½ | 25⅛ | –⅛ | $1.82 | – | 4.5 |
| 28½ | 24⅛ | Morris (Philip) | 24⅛ | –⅛ | $1.13 | – | 3.0 |
| 56⅝ | 36⅛ | NYNEX $1 | 52¼ | –1⅛ | $4.36 | – | 5.3 |
| 44p | 11p | N'wide Legal Serv ‡ | 15p | –1 | | – | – |
| 24⅞ | 18¼ | PHH Corp ‖ | 21⅛ | ... | $1.16 | – | 3.5 |
| 259p | 167p | ♥Pacific Agr ‡ | 187p | | | – | – |
| 29⅝ | 19 | Pacificorp $3¼ | 27⅛ | –⅛ | $2.76 | – | 6.1 |
| 31⅝ | 16⅞ | Pacific Telesis 10c. | 28⅞ | –⅛ | $1.88 | – | 4.1 |
| 22⅝ | 15¼ | Pall Corp. 25c | 20⅛ | –⅛ | 48c | – | [illegible] |
| 55½ | 39⅛ | Pennzoil 83 1/3c. | 51⅛ | –⅛ | $3.00 | – | 3.7 |
| 42¼ | 28⅝ | Quaker Oats $5 | 34¼ | –⅛ | $1.40 | – | [illegible] |
| 32⅛ | 23½ | Pep NY Corpn $5 | 30⅛ | –⅛ | $1.28 | – | 2.6 |
| 16¼ | 11⅛ | Rockwell Intl. $1 | 13⅛ | –⅛ | 78c | – | 3.7 |
| 29½ | 22 | Sears, Roebuck 75c. | 23 | –½ | $2.00 | – | 5.5 |
| 40⅛ | 21⅛ | Southwestern Bell $1. | 35⅛ | –1 | $2.60 | – | 4.7 |
| 27⅞ | 17⅛ | Sun Co Inc $1 | 24⅝ | –⅛ | [illegible] | – | [illegible] |
| 31⅞ | 22⅛ | TRW Inc. 62½c | 29⅝ | –⅛ | $1.72 | – | 3.7 |
| 40⅞ | 26¼ | Tenneco $5 | 36¼ | –⅛ | $3.04 | – | 5.2 |
| [illegible] | | | | | | | |

## CANADIANS

[illegible]

## BANKS, HP & LEASING

[illegible]

### Hire Purchase, Leasing, etc.

[illegible]

## BEERS, WINES & SPIRITS

[illegible]

## BUILDING, TIMBER, ROADS

[illegible]

## BUILDING, TIMBER, ROADS—Contd

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## DRAPERY AND STORES

[illegible]

## DRAPERY AND STORES—Contd

[illegible]

## ELECTRICALS

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING—Contd

[illegible]

## FOOD, GROCERIES, ETC

[illegible]

## HOTELS AND CATERERS

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]

## INDUSTRIALS (Miscel.)—Contd

[illegible]

## INDUSTRIALS (Miscel.)—Contd.

[illegible]

## INSURANCES

[illegible]

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## SOUTH AFRICANS

## TEXTILES

## TOBACCOS

## TRANSPORT

## TRUSTS, FINANCE, LAND

### Investment Trusts

## TRUSTS, FINANCE, LAND — Contd

### Finance, Land, etc

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## OIL AND GAS

## OIL AND GAS — Contd

## OVERSEAS TRADERS

## PLANTATIONS

### Rubbers, Palm Oil

### Teas

## MINES

### Central Rand

### Eastern Rand

### Far West Rand

### O.F.S.

### Diamond and Platinum

### Central African

### Finance

### Australians

### Tins

## MINES — Contd

### Miscellaneous

## THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♦ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Not officially listed.
¶ Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress
♦ Not comparable
♦ Same interim: reduced final and/or reduced earnings indicated
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
■ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock a Annualised dividend b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend, cover relates to previous dividend. P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989 K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings M Dividend and yield based on prospectus or other official estimates for 1988 N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend, xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| Stock | Price | + or − |
|---|---|---|
| Albany Inv 20p ... γ | 93 | ...... |
| Craig & Rose £1.. γ | 830 | ... |
| Finlay Pkg 5p . γ | 56 | ...... |
| Holt (Jos) 25p..... γ | 1340 | ...... |

IRISH

| Stock | Price | + or − |
|---|---|---|
| Cap. 8¾% Ln. 1951. | £96¾ | ...... |
| 9pc Cap Ln 1996.. | £96 | . |
| Fin. 13% 97/02... | £115 | ...... |
| Arnotts .. ............ | 405 | ...... |
| Carroll (P J.) .... γ | 172xd | +2 |
| Hall (R. & H.)....... | 185 | −10 |
| Helton Hldgs....... γ | 100 | −2 |
| IRG. ...... ............ | 220xd | ...... |
| United Drug......... | 175 | ...... |

## TRADITIONAL OPTIONS

3-month call rates

### Industrials

| Stock | p |
|---|---|
| Allied-Lyons | 41 |
| Amstrad | 6½ |
| Astec (BSR) | 5¾ |
| BAT | 67 |
| BOC Grp | 44 |
| BTR | 37 |
| Barclays | 40 |
| Blue Circle | 20 |
| Boots | 23 |
| Bowaters | 39 |
| Brit Aerospace | 46 |
| British Steel | 9 |
| Brit. Telecom | 22 |
| Cadburys | 31 |
| Charter Cons | 42 |
| Comm Union | 40 |
| Courtaulds | 31 |
| Eurotunnel | 65 |
| FKI | 8 |
| FNFC | 22 |
| Gen Accident | 92 |
| GEC | 19 |
| Glaxo | 60 |
| Grand Met | 44 |
| Guardian | 19 |
| GKN | 33 |
| Hanson | 16 |
| Hawker Sidd | 55 |
| ICI | 90 |
| Jaguar | 85 |
| Ladbroke | 25 |
| Legal & Gen | 32 |
| Lex Service | 26 |
| Lloyds Bank | 31 |
| Lucas Inds | 54 |
| Marks & Spencer | 16 |
| Midland Bk | 26 |
| Morgan Grenfell | 38 |
| Nat West Bk | 25 |
| P & O Dfd | 51 |
| Polly Peck | 38 |
| Racal Elect | 20 |
| RHM | 39 |
| Rank Org Ord | 72 |
| Reed Intnl | 34 |
| STC | 25 |
| Sears | 9 |
| Smkl. Beecham A | 48 |
| TI | 38 |
| TSE | 9 |
| Tesco | 16 |
| Thorn EMI | 63 |
| Trust Houses | 23 |
| T&N | 16½ |
| Unilever | 57 |
| Vickers | 22 |
| Wellcome | 55 |

### Property

| Stock | p |
|---|---|
| Brit Land | 27 |
| Control Secs | 5 |
| Land Securities | 45 |
| MEPC | 45 |
| Mountleigh | 13 |

### Oils

| Stock | p |
|---|---|
| Brit Petroleum | 25 |
| Burmah Oil | 65 |
| Charterhall | 2½ |
| Conroy Petlm | 9 |
| Premier | 10½ |
| Shell | 37 |
| Tuskar Res | 12 |
| Ultramar | 28½ |

### Mines

| Stock | p |
|---|---|
| Lonrho | 23 |
| RTZ | 45 |

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# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# D-Mark keeps yen nervous

CURRENCIES SHOWED little change yesterday amid nervousness that central banks were intervening to support the yen against the D-Mark. Dealers said the foreign exchange market was alive with rumours about intervention, but none could be confirmed, apart from the continued support for its own currency by the Bank of Japan earlier in Tokyo.

The Bank of Japan bought yen and sold dollars, as the dollar threatened to break through Y146.00. This brought the US currency back to Y145.30 at the Tokyo close. In European trading the yen improved slightly, with the dollar finishing in London at Y145.15, compared with Y145.20 on Tuesday.

The D-Mark finished at Y86.42 against the yen in London, compared with Y86.32 on Tuesday, but had been as high as Y87.00 earlier in the day. Late trading was volatile and nervous on suggestions that the West German Bundesbank, US Federal Reserve and Bank of England had sold D-Marks to buy dollars and had then sold the dollars to buy yen. *This could not be confirmed*, and several traders in Frankfurt doubted that the Bundesbank was involved.

Attractive Frankfurt interest rates - well above comparable Tokyo rates - and the potential prospects for the West German economy from developments in Eastern Europe have led to a flow of funds into Germany from Japan. West German Gross National Product grew 4 per cent last year, the strongest of the decade, and is expected to continue to advance in 1990. Political uncertainties, ahead of next month's Japanese elections, have also contributed to a weakening of the yen against the D-Mark.

The Italian lira and French franc improved against the D-Mark, as speculation about a realignment of the European Monetary System faded. The lira moved to the top of the EMS, close to its cross rate limit against the weakest placed Irish punt. In Milan the D-Mark was fixed at L747.41, against L746.09 on Tuesday, the lowest level since December 22. The D-Mark fell to FFr3.4060 from DM3.4103 at the Paris fixing.

There were no fresh factors to influence the dollar, and in quiet trading the US currency eased slightly, to close in London at DM1.6795, compared with DM1.6820; at SFr1.5125 against SFr1.5265; and at FFr5.7175 against FFr5.7300. The dollar's index fell to 67.0 from 67.1.

Sterling had a firmer tone, gaining 85 points to $1.6625. The pound also rose to DM2.7925 from DM2.7825; to Y241.25 from Y240.25; and to FFr9.5050 from FFr9.4775, but fell to SFr2.5150 from SFr2.5250 against a generally strong Swiss franc. Sterling's index rose 0.2 to 88.0.

Demand for the Swiss franc followed the D-Mark's fall through a chart support point of SFr0.9050, to close in Zurich at SFr0.9010. Higher EuroSwiss rates provided support.

### £ IN NEW YORK

| Jan 10 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.6570-1.6580 | 1.6565-1.6575 |
| 1 month | 0.98-0.97pm | 0.98-0.97pm |
| 3 months | 2.67-2.64pm | 2.67-2.64pm |
| 12 months | 9.10-9.00pm | 9.10-9.00pm |

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

| | Jan 10 | Previous |
|---|---|---|
| 8.30 am | 87.9 | 87.4 |
| 9.00 am | 87.9 | 87.5 |
| 10.00 am | 87.8 | 87.7 |
| 11.00 am | 87.9 | 87.6 |
| Noon | 87.9 | 87.7 |
| 1.00 pm | 87.8 | 87.8 |
| 2.00 pm | 87.9 | 87.9 |
| 3.00 pm | 88.0 | 87.8 |
| 4.00 pm | 88.0 | 87.8 |

### CURRENCY RATES

| Jan.10 | Bank rate % | Special* Drawing Rights | European † Currency Unit |
|---|---|---|---|
| Sterling # | - | 1.25099 | 1.36839 |
| U.S Dollar | 7 | [illegible] | 1.21384 |
| Canadian $ | 12.46 | [illegible] | 1.40720 |
| Austrian Sch. | 6½ | 15.5689 | 14.2941 |
| Belgian Franc | 10¼ | 46.6445 | 42.6148 |
| Danish Krone | 10½ | 8.58642 | 7.87841 |
| Deutsche Mark | 6.00 | 2.21910 | 2.03099 |
| Neth.Guilder | 7.00 | 2.50842 | 2.29239 |
| French Franc | 10¼ | 7.57022 | 6.91786 |
| Italian Lira | 13½ | 1661.48 | 1517.86 |
| Japanese Yen | 4¼ | 191.867 | 176.310 |
| Norway Krone | 8 | 8.59634 | 7.87557 |
| Spanish Peseta | - | 144.892 | 132.466 |
| Swedish Krona | 9½ | 8.11369 | 7.42565 |
| Swiss Franc | 6.00 | 2.01983 | 1.83993 |
| Greek Drach. | 20½ | 207.859 | 190.038 |
| Irish Punt | - | 0.842290 | 0.770299 |

# Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Jan.9

### CURRENCY MOVEMENTS

| Jan.10 | Bank of England Index | Morgan** Guaranty Changes % |
|---|---|---|
| Sterling | 88.0 | -23.5 |
| U.S Dollar | 67.0 | -11.4 |
| Canadian Dollar | 104.9 | +1.8 |
| Austrian Schilling | 110.4 | +12.6 |
| Belgian Franc | 110.1 | -3.3 |
| Danish Krone | 109.1 | +3.5 |
| Deutsche Mark | 119.2 | +25.8 |
| Swiss Franc | 107.9 | +14.9 |
| Guilder | 114.8 | +16.8 |
| French Franc | 103.6 | -12.4 |
| Lira | 100.0 | -18.8 |
| Yen | 128.8 | +59.0 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Jan.9

### OTHER CURRENCIES

| Jan.10 | £ | $ |
|---|---|---|
| Argentina | 2949.65-3053.70 | 1775.00-1825.00 |
| [illegible] | [illegible] | [illegible] |
| S.Af (Cm) | 4.2045-4.2210 | 2.5390-2.5405 |
| S.Af (Fn) | 5.9340-6.0410 | 3.5715-3.6360 |
| Taiwan | 43.00-43.10 | 25.90-25.95 |
| U.A.E. | 6.1055-6.1090 | 3.6720-3.6730 |

*Selling rate

### EURO-CURRENCY INTEREST RATES

| Jan 10 | Short term | 7 Days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 15-14 13/16 | 15-14 7/8 | 15 3/16-15 1/16 | 15¼-15 1/16 | 15 1/16-15 | 14 7/8-14 13/16 |
| US Dollar | 8 5/8-8 1/2 | 8¾-8½ | 8¼-8⅛ | 8 5/16-8 3/16 | 8 5/16-8 3/16 | 8 3/8-8¼ |
| Can Dollar | 12-11¾ | 12-11¾ | 12 3/16-11 15/16 | 12 3/16-11 15/16 | 12-11¾ | 11¾-11½ |
| D Guilder | 8 11/16-8⅝ | 8¾-8⅝ | 8¾-8⅝ | 8⅞-8¾ | 9-8⅞ | 9-8⅞ |
| Sw. Franc | 10-9¾ | 9⅞-9¾ | 9 15/16-9 13/16 | 9 7/16-9 5/16 | 9¾-9⅝ | 9 7/16-8 15/16 |
| Deutschmark | 7⅝-7½ | 7 13/16-7⅝ | 8-7⅞ | 8⅜-8¼ | 8⅝-8½ | 8⅝-8½ |
| Fr. Franc | 10½-10⅜ | 10¾-10⅝ | 11⅛-11 | 11⅜-11¼ | 11 9/16-11 7/16 | 11 9/16-11 7/16 |
| Italian Lira | 13-11 | 12¼-11¾ | 12½-12 | 12⅞-12⅜ | 12⅞-12½ | 13⅛-12⅝ |
| B. Fr (Fin) | 10½-10⅜ | 10⅝-10½ | 10½-10⅜ | 10⅝-10½ | 10⅝-10½ | 10⅝-10½ |
| B. Fr (Con) | 10¼-10⅛ | 10⅝-10¼ | 10¼-10⅛ | 10¼-10⅛ | 10¼-10⅛ | 10¼-10⅛ |
| Yen | 6 7/16-6 5/16 | 6 7/16-6 5/16 | 6 13/16-6 9/16 | 6 15/16-6 13/16 | 7 1/16-6 15/16 | 7 1/16-6 15/16 |
| D Krone | 12¾-12⅛ | 12¾-12⅛ | 12⅜-12¼ | 12 5/16-12 3/16 | 12 1/16-11 13/16 | 11⅞-11⅝ |
| Asian $Sing | 8¼-8⅛ | 8⅜-8¼ | 8⅜-8¼ | 8⅜-8¼ | 8⅜-8¼ | [illegible] |

Long term Eurodollars: two years 8½-8⅜ per cent; three years 8⅝-8½ per cent; four years 8¾-8⅝ per cent; five years 8 13/16-8 11/16 per cent nominal. Short term rates are call for US Dollars and Japanese Yen, others, two days' notice.

### POUND SPOT- FORWARD AGAINST THE POUND

| Jan.10 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.6555-1.6675 | 1.6620-1.6630 | 0.96-0.94cpm | 6.86 | 2.70-2.67pm | 6.46 |
| Canada | 1.9225-1.9310 | 1.9245-1.9255 | 0.45-0.37cpm | 2.56 | 1.39-1.28pm | 2.78 |
| Netherlands | 3.13½-3.16 | 3.14½-3.15½ | 1¼-1⅛cpm | 5.96 | 4¾-4⅝pm | 5.96 |
| Belgium | [illegible] | 58.55-58.65 | 25-20cpm | 4.61 | 71-57pm | 4.38 |
| Denmark | 10.78¼-10.85¼ | 10.84¼-10.85¼ | 2⅞-2¼orepm | 2.77 | 8½-7¼pm | 2.90 |
| Ireland | [illegible] | 1.0575-1.0585 | 0.35-0.30ppm | 3.69 | 0.85-0.75pm | 3.02 |
| W Germany | 2.77¼-2.79½ | 2.79-2.79½ | 1⅝-1½pfpm | 7.27 | 4½-4⅜pm | 6.36 |
| Portugal | 245.45-246.89 | 245.50-246.50 | 42-111cdis | -3.73 | 177-345dis | -4.24 |
| Spain | 181.20-182.40 | 182.05-182.35 | 1-11cdis | -0.40 | 24-43dis | -0.74 |
| Italy | 2076½-2088 | 2086¼-2087¼ | 6¼-4½lirepm | 3.09 | 15¾-10½pm | 2.51 |
| Norway | 10.76¼-10.82 | 10.81-10.82 | 3¼-2⅝orepm | 3.30 | 8¼-7¼pm | 2.87 |
| France | 9.47-9.51½ | 9.50-9.51 | 3½-3¼cpm | 4.18 | 8¾-8¼pm | 3.58 |
| Sweden | 10.16-10.20¼ | 10.19¾-10.20¾ | 2¾-2¼orepm | 2.94 | 6½-5½pm | 2.35 |
| Japan | 240½-242¼ | 240¼-241¼ | 1⅞-1¾ypm | 9.02 | 4¾-4⅝pm | 7.77 |
| Austria | 19.53-19.61 | 19.54-19.57 | 10¼-8½gropm | 5.71 | 29¾-25¼pm | 5.60 |
| Switzerland | 2.50¾-2.52¾ | 2.51-2.52 | 1¼-1⅛cpm | 5.67 | 3⅞-3⅝pm | 5.48 |
| ECU | 1.3685-1.3770 | 1.3750-1.3760 | 0.48-0.45cpm | 4.06 | 1.25-1.20pm | 3.56 |

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 58.55-58.65 Six-month forward dollar 5.18-5.13cpm 12 Months 9.25-9.15cpm

### DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

| Jan.10 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.6555-1.6675 | 1.6620-1.6630 | 0.96-0.94cpm | 6.86 | 2.70-2.67pm | 6.46 |
| Ireland† | 1.5665-1.5810 | 1.5670-1.5680 | 0.47-0.42cpm | 3.39 | 1.35-1.25pm | 3.30 |
| Canada | 1.1575-1.1615 | 1.1580-1.1590 | 0.40-0.43cdis | -4.29 | 1.07-1.11dis | -3.76 |
| Netherlands | 1.8800-1.9010 | 1.8950-1.8960 | 0.07-0.09cdis | -0.51 | 0.24-0.29dis | -0.56 |
| Belgium | 34.95-35.30 | 35.20-35.30 | [illegible] | -2.21 | 15.00-22.50dis | -2.14 |
| Denmark | 6.46½-[illegible] | 6.52½-6.53 | [illegible] | -4.11 | [illegible] | -4.01 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Commercial rates taken towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.20-35.30.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu Jan.10 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Danish Krone | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| German D-Mark | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| French Franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dutch Guilder | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Irish Punt | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Italian Lira | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Spanish Peseta | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### EXCHANGE CROSS RATES

| Jan.10 | £ | $ | DM | Yen | F Fr. | S Fr. | H Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

## FINANCIAL FUTURES AND OPTIONS

| LIFFE LONG GILT FUTURES OPTIONS / LIFFE US TREASURY BOND FUTURES OPTIONS / LIFFE BUND FUTURES OPTIONS / LIFFE £/$ OPTIONS / LIFFE EURODOLLAR OPTIONS / LIFFE SHORT STERLING OPTIONS |
|---|
| [illegible] |

| CHICAGO: U.S. TREASURY BONDS (CBT) / U.S. TREASURY BILLS (IMM) / SWISS FRANC (IMM) / JAPANESE YEN (IMM) / DEUTSCHE MARK (IMM) / THREE-MONTH EURODOLLAR (IMM) / STANDARD & POORS 500 INDEX / PHILADELPHIA SE £/$ OPTIONS / POUND-$ (FOREIGN EXCHANGE) |
|---|
| [illegible] |

| LONDON (LIFFE): 20-YEAR 9% NOTIONAL GILT / US TREASURY BONDS / 6% NOTIONAL GERMAN GOVT. BOND / 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND / THREE MONTH STERLING / THREE MONTH EURODOLLAR / THREE MONTH EUROMARK / THREE MONTH ECU |
|---|
| [illegible] |

### FT-SE 100 INDEX

£25 per full index point

| | Close | High | Low | Prev. |
|---|---|---|---|---|
| Mar | 2460.0 | 2479.0 | 2449.0 | 2489.0 |
| Jun | 2502.0 | 2502.0 | 2495.0 | 2531.0 |
| Sep | | | | |

Estimated volume 3499 (3660)
Previous day's open int. 22728 (22668)

### EUROPEAN OPTIONS EXCHANGE

| Series | | Vol | Last | Vol | Last | Vol | Last | Stock |
|---|---|---|---|---|---|---|---|---|
| [illegible] | | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

TOTAL VOLUME IN CONTRACTS : 42,935
A=Ask B=Bid C=Call P=Put

## MONEY MARKETS

# Optimism fades

LONGER TERM rates remained firm in London yesterday. Optimism about a cut in bank base rates at the time of the Budget has faded, and some observers believe there is still a risk that rates will be forced higher, against the background of events in the rest of Europe.

The West German Bundesbank is regarded as holding the key to future rate changes, although the danger of higher German rates may have subsided after comments dismissing the chances of an early EMS realignment, by Mr Karl Otto Pöhl, Bundesbank president. Higher German rates would put strong pressure on the weaker members of the system to devalue against the D-Mark. Mr Claus Koehler, a member of the Bundesbank Board, also said the market's fear of higher interest rates was not justified.

Three-month sterling interbank was unchanged at 15⅛-15 1/16 per cent, but one-year money rose to 14 13/16-14 11/16 from 14¾-14⅝ per cent. On Liffe March short sterling opened unchanged at 85.30 and weakened to close at 85.27.

The Bank of England initially forecast a day-to-day credit shortage on the money market of £150m, but revised this to £250m at noon. The authorities gave help of £171m in the afternoon, buying band 2 bank bills at 14¾ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £180m, with the unwinding of bill repurchase agreements absorbing £252m and bank balances below target £60m. These outweighed Exchequer transactions adding £335m to liquidity and a fall in the note circulation of £5m.

In Frankfurt call money was unchanged at 7.70 per cent, in spite of the Bundesbank's allocation of only DM17.0bn at this week's securities repurchase agreement tender. This drained a net DM2.8bn in liquidity, as an earlier pact of DM19.8bn expired, but commercial banks holdings at the Bundesbank are running well ahead of the likely average requirement for the month, and the lower allocation did not cause any problems. Average holdings for the first eight days of January were DM64.6bn, against an expected figure for the whole month of around DM59bn.

Banks paid 7.70 to 8.10 per cent for the 28-day funds, little changed from the 7.70 to 8.15 per cent paid for the last 29-day agreement.

**UK clearing bank base lending rate 15 per cent from October 6**

### FT LONDON INTERBANK FIXING

| (11.00 a.m. Jan 10) 3 months US dollars | | 6 months US Dollars | |
|---|---|---|---|
| bid 8¼ | offer 8⅜ | bid 8¼ | offer 8⅜ |

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

### MONEY RATES

**NEW YORK** (Lunchtime)

| | |
|---|---|
| Prime rate | 10 |
| Broker loan rate | 9½ |
| Fed funds | 8¼ |
| Fed funds at intervention | - |

**Treasury Bills and Bonds**

| | | | |
|---|---|---|---|
| One month | 7.14 | Three year | 7.93 |
| Two month | 7.64 | Four year | 7.90 |
| Three month | 7.74 | Five year | 7.91 |
| Six month | 7.77 | Seven year | 8.04 |
| One year | 7.76 | 10-year | 8.02 |
| Two year | 7.88 | 30-year | 8.09 |

| Jan.10 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 7.65-7.75 | 8.00-8.15 | 7.95-8.10 | 8.10-8.30 | 8.25-8.45 | 8.00 |
| Paris | - | - | - | - | - | 9.50 |
| Zurich | 8¾-9⅛ | 9½-9¾ | - | 9-9¼ | - | - |
| Amsterdam | 8.50-8.62 | 8.78-8.88 | - | 8.83-8.93 | - | - |
| Tokyo | 6⅜-6½ | 6⅝-6⅞ | - | 6 13/16-6⅞ | - | - |
| Milan | 12¾-12¼ | 12¾-13¼ | - | 12¾-13¼ | - | - |
| Brussels | 9.20 | 10⅛-10⅜ | - | 10⅛-10⅜ | - | - |
| Dublin | 11⅝-11¾ | 11¾-11⅞ | 11 13/16-11 15/16 | 11¾-12 | 11¾-12 | - |

### LONDON MONEY RATES

| Jan 10 | Overnight | 7 days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank Offer | 15 | 15⅛ | 15 3/16 | 15⅛ | 15 1/16 | 14 13/16 |
| Interbank Bid | 14 | 14 15/16 | 15 1/16 | 15 1/16 | 15 | 14 11/16 |
| Sterling CDs | - | - | 15⅛ | 15 1/16 | 14 15/16 | 14⅝ |
| Local Authority Deps. | 14⅞ | 14 15/16 | 14 15/16 | 14⅞ | 14⅞ | 14⅝ |
| Local Authority Bonds | - | - | - | - | - | - |
| Discount Mkt Deps. | 14⅞ | 14 15/16 | 14⅞ | 14⅞ | - | - |
| Company Deposits | - | - | 15⅛ | 15 | 15 | 14¾ |
| Finance House Deposits | - | - | 15⅛ | 15⅛ | 14 13/16 | 14⅝ |
| Treasury Bills (Buy) | - | - | 14 13/16 | 14¾ | - | - |
| Bank Bills (Buy) | - | - | 14¾ | 14 13/16 | 13 15/16 | - |
| Fine Trade Bills (Buy) | - | - | 15⅛ | 15⅛ | 14 13/16 | - |
| Dollar CDs | - | - | 8.27 | 8.23 | 8.23 | 8.23 |
| SDR Linked Dep. Offer | - | - | 9¼ | 9⅛ | 9⅛ | 8 15/16 |
| SDR Linked Dep. Bid | - | - | 8 13/16 | 8¾ | 8 11/16 | 8 11/16 |
| ECU Linked Dep. Offer | - | - | 10 15/16 | 11⅛ | 11⅛ | 11⅛ |
| ECU Linked Dep. Bid | - | - | 10 13/16 | 11⅛ | 11 1/16 | 11 1/16 |

Treasury Bills (sell): one-month 14 11/16 per cent, three months 14⅝ per cent, Bank Bills (sell): one-month 14 23/32 per cent, three months 14 23/32 per cent; Treasury Bills: Average tender rate of discount 14.4683 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 29, 1989. Agreed rates for period January 24 1990 to February 25, 1990. Scheme I. 15.90 p.c. Schemes II & III: 16.38 p.c. Reference rate for period Dec 1,1989 to December 29, 1989, Scheme IV&V. 15.164 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from January 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100 000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent, nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989, Deposits withdrawn for cash 5 per cent.

### BASE LENDING RATES

| | % |
|---|---|
| ABN Bank | 15 |
| Adam & Company | 15 |
| Allied Trust Bank | 15 |
| Allied Irish Bank | 15 |
| ● Henry Ansbacher | 15 |
| Associates Cap Corp | 14 |
| Authority Bank | 15 |
| ● B & C Merchant Bank | 15 |
| Bank of Baroda | 15 |
| Banco Bilbao Vizcaya | 15 |
| Bank Hapoalim | 15 |
| Bank Credit & Comm | 15 |
| Bank of Cyprus | 15 |
| Bank of Ireland | 15 |
| Bank of India | 15 |
| Bank of Scotland | 15 |
| Banque Belge Ltd | 15 |
| Barclays Bank | 15 |
| Benchmark Bank PLC | 15 |
| Brit Bk of Mid East | 15 |
| ● Brown Shipley | 15 |
| CL Bank Nederland | 15 |
| ● Charterhouse Bank | 15 |
| Citibank NA | 15 |
| City Merchants Bank | 15 |
| Clydesdale Bank | 15 |
| Comm.Bk.N.East | 15 |
| Co-operative Bank | *15 |
| Coutts & Co | 15 |
| Cyprus Popular Bk | 15 |
| Dunbar Bank PLC | 15 |
| Duncan Lawrie | 15 |
| Equatorial Bank plc | 15 |
| Exeter Trust Ltd | 15½ |
| Financial & Gen. Bank | 15 |
| First National Bank Plc. | 16 |
| ● Robert Fleming & Co. | 15 |
| Robert Fraser & Ptnrs. | 15½ |
| Girobank | 15 |
| ● Guinness Mahon | 15 |
| HFC Bank plc | 15 |
| ● Hambros Bank | 15 |
| Hampshire Trust Plc | 15½ |
| Heritable & Gen Inv Bnk. | 15 |
| ● Hill Samuel | §15 |
| C. Hoare & Co. | 15 |
| Hongkong & Shangh | 15 |
| ● Leopold Joseph & Sons | 15 |
| Lloyds Bank | 15 |
| Meghraj Bank Ltd | 15 |
| McDonnell Douglas Bnk. | 15 |
| Midland Bank | 15 |
| Mount Banking | 15 |
| Nat. Bk. of Kuwait | 15 |
| NatWestminster | 15 |
| Northern Bank Ltd | 15 |
| Norwich Gen. Trust | 15 |
| Nykredit Mortgage Bank | 15½ |
| PRIVATbanken Limited | 15 |
| Provincial Bank PLC | 16 |
| Roxburghe G'rantee | 15½ |
| Royal Bk of Scotland | 15 |
| Royal Trust Bank | 15 |
| ● Smith & Williamson Secs. | 15 |
| Standard Chartered | 15 |
| TSB | 15 |
| ● United Bk of Kuwait | 15 |
| United Mizrahi Bank | 15 |
| Unity Trust Bank Plc | 15 |
| Western Trust | 15 |
| Westpac Bank Corp. | 15 |
| Whiteaway Laidlaw | 15 |
| Yorkshire Bank | 15 |

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**JOTTER PAD**

# CROSSWORD

**No.7,135 Set by DINMUTZ**

**ACROSS**

1 Ambled out in confusion (6)
4 Bits of Austria in change (8)
10 Occupation of potter using only two colours (9)
11 Fifty-nine turning out on lawn (5)
12 Chap to embrace with love (4)
13 Could one become chicken in the basket? (10)
15 Anxiety for ball in mixed tennis (7)
16 A set of lines, backward (6)
19 Dismiss Bunter's class (6)
21 Armstrong rested, with companion, on near side of moon (7)
23 Its staff may work in close harmony (6-4)
25 Wheel less vehicle Bob piloted (4)
27 French article justified in being extravagant (5)
28 Emergence of English mother-race (9)
29 M, the second person with grit (8)
30 Harry Brock? (6)

**DOWN**

1 Hair-style, bleached, makes an American quail (3-5)
2 Hard work for a coach (9)
3 Dry, fresh air by day (4)
5 Wine all over parrot down under (7)
6 Outline of hotel-suite being redesigned (10)
7 I support backward language (5)
8 Getting on a bit in Tyne, perhaps (6)
9 In vest, would you say, or frock? (6)
14 Strange pretension to display kitchen-utensils (3-7)
17 4 x 100 ? (9)
18 Fellow in solitary environment capital fellow! (8)
20 Earnest sort of oriental (7)
21 Work hard on article to produce jingle (6)
22 Bar put out, being short (6)
24 Ropy sort of show (5)
26 Ground-rent deposit (4)

**Solution to Puzzle No.7,134**

LEFTHALF CHOSEN
CALAMITY CLERIC
ETHER ILLGOTTEN
TURBAN WREXHAM
WRESTLE CANARY
FIREWORKS MELBA
CANUTE PUBLUNCH
DELORS LETHARGY

# WORLD STOCK MARKETS

## CANADA

TORONTO

*2pm prices January 10*

f – No voting rights or restricted voting rights.

## INDICES

### NEW YORK

| DOW JONES | Jan 9 | Jan 8 | Jan 5 | Jan 4 | 1989/90 HIGH | 1989/90 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| ♦Industrials | 2766.00 | 2794.37 | 2773.25 | 2796.08 | 2810.15 (2/1/90) | 2144.64 (3/1/89) | 2810.15 (2/1/90) | 41.22 (2/7/32) |
| Home Bonds | 92.81 | 92.89 | 92.93 | 93.01 | 94.15 (2/8/89) | 87.35 (23/3/89) | — | — |
| Transport | 1176.21 | 1178.34 | 1179.23 | 1187.77 | 1532.01 (5/9/89) | 959.95 (3/1/89) | 1532.01 (5/9/89) | 12.32 (8/7/32) |
| Utilities | 223.78 | 225.67 | 227.43 | 230.76 | 236.23 (2/1/90) | 181.84 (24/2/89) | 236.23 (2/1/90) | 10.50 (8/4/32) |

♦Day's High 2810.79 (2803.97) Low 2760.03 (2753.41)

| STANDARD AND POOR'S | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 349.62 | 353.79 | 352.20 | 355.66 | 359.80 (9/10/89) | 275.31 (3/1/89) | 359.80 (9/10/89) | 4.40 (1/6/32) |
| Industrials | 401.54 | 406.09 | 404.20 | 407.59 | 411.30 (2/1/90) | 318.66 (3/1/89) | 411.30 (2/1/90) | 3.62 (21/6/32) |
| Financial | 30.93 | 31.41 | 31.38 | 31.67 | 35.24 (9/10/89) | 24.30 (3/1/89) | 35.24 (9/10/89) | 8.64 (1/10/74) |
| NYSE Composite | 193.35 | 195.33 | 194.64 | 196.29 | 199.34 (9/10/89) | 154.98 (3/1/89) | 199.34 (9/10/89) | 4.46 (25/4/42) |
| Amex Mkt. Value | 380.44 | 381.62 | 382.45 | 382.16 | 397.03 (10/10/89) | 305.24 (3/1/89) | 397.03 (10/10/89) | 29.31 (9/12/72) |
| NASDAQ Composite | 456.77 | 458.71 | 458.22 | 459.39 | 485.73 (9/10/89) | 378.56 (3/1/89) | 485.73 (9/10/89) | 54.87 (31/10/72) |

| | Jan 5 | Dec 29 | Dec 15 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 3.84 | 3.87 | 3.89 | 3.66 |
| | Jan 3 | Dec 27 | Dec 20 | year ago (approx.) |
| S & P Industrial div. yield | 2.86 | 2.95 | 2.90 | 3.17 |
| S & P Indl. P/E ratio | 15.19 | 14.74 | 14.51 | 13.00 |

### NEW YORK ACTIVE STOCKS

| Tuesday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Dexter | 7,080,000 | 22¼ | – ⅛ |
| Pan Am Corp. | 2,862,600 | 3⅝ | + ⅛ |
| Citicorp | 2,565,400 | 27¼ | – 1⅛ |
| Philip Morris | 2,155,100 | 40¼ | – ¾ |
| IBM | 1,762,000 | 99⅛ | – 1 |
| Telecom USA | 1,666,500 | 21¾ | – ¼ |
| A T & T | 1,627,800 | 45¼ | – ½ |
| First Fidelity | 1,556,800 | 23⅝ | + 1 |
| Germany Fd. | 1,504,000 | 20⅞ | + 2¼ |
| Symex | 1,392,500 | 52¼ | + ⅝ |

### TRADING ACTIVITY

| † Volume Millions | Jan 9 | Jan 8 | Jan 5 |
|---|---|---|---|
| New York | 155,210 | 140,110 | 158,530 |
| Amex | 10,692 | 12,860 | 14,361 |
| NASDAQ | (u) | 115,500 | 137,227 |
| Issues Traded | 1,968 | 1,976 | 1,962 |
| Rises | 548 | 806 | 573 |
| Falls | 959 | 696 | 936 |
| Unchanged | 461 | 472 | 453 |
| New Highs | 33 | 33 | 36 |
| New Lows | 20 | 20 | 8 |

### CANADA

| TORONTO | Jan 9 | Jan 8 | Jan 5 | Jan 4 | 1989/90 HIGH | 1989/90 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 3344.40 | 3359.21 | 3399.97 | 3453.05 | 3919.2 (1/9/89) | 3207.5 (3/1/89) |
| Composite | 3952.35 | 3971.07 | 3990.37 | 4000.91 | 4037.8 (6/10/89) | 3350.5 (6/1/89) |
| MONTREAL Portfolio | 2012.26 | 2022.39 | 2035.23 | 2049.41 | 2069.68 (10/10/89) | 1677.48 (3/1/89) |

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

| | Jan 10 | Jan 9 | Jan 8 | Jan. 5 | 1989/90 HIGH | 1989/90 LOW |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1689.7 | 1690.6 | 1699.7 | 1710.8 | 1781.8 (29/8/89) | 1412.9 (7/4/89) |
| All Mining (1/1/80) | 848.1 | 849.7 | 860.6 | 860.8 | 875.1 (29/8/89) | 652.6 (7/4/89) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 572.73 | 568.18 | 550.72 | 542.67 | 572.73 (10/1/90) | 219.5 (2/1/89) |
| **BELGIUM** | | | | | | |
| Brussels SE (1/1/80) | 6548.90 | 6564.14 | 6553.83 | 6572.50 | 6805.38 (26/9/89) | 5519.30 (4/1/89) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | 367.31 | 364.79 | 364.51 | 362.21 | 367.31 (10/1/90) | 275.49 (27/2/89) |
| **FINLAND** | | | | | | |
| Unitas General (1975) | 617.7 | 610.3 | 607.8 | 605.3 | 815.8 (18/4/89) | 580.8 (23/11/89) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | 542.8 | 545.1 | 548.2 | 554.7 | 561.6 (11/10/89) | 417.9 (4/1/89) |
| CAC 40 (31/12/87) | 1970.38 | 1970.28 | 1968.95 | 1994.36 | - | - |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 767.44 | 776.08 | 766.31 | 755.91 | 776.08 (9/1/90) | 535.78 (27/2/89) |
| Commerzbank (1/12/53) | 2265.6 | 2290.7 | 2262.8 | 2231.2 | 2291.3 (3/1/90) | 1595.7 (27/2/89) |
| DAX (30/12/87) | 1839.63 | 1865.94 | 1843.24 | 1820.00 | 1869.66 (3/1/90) | 1271.70 (23/2/89) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 2868.00 | 2822.16 | 2816.24 | 2839.94 | 3309.64 (15/5/89) | 2093.61 (5/6/89) |
| **IRELAND** | | | | | | |
| ISEQ Overall (4/1/88) | 1857.64 | 1863.05 | 1860.89 | 1855.95 | 1863.05 (9/1/90) | 1360.64 (10/1/89) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 705.63 | 702.83 | 702.07 | 701.12 | 734.84 (31/8/89) | 577.49 (28/2/89) |
| **JAPAN** | | | | | | |
| Nikkei (16/5/49) | 37696.51 | 37951.46 | 38294.96 | 38274.76 | 38915.87 (29/12/89) | 30183.79 (5/1/89) |
| Tokyo SE (Topix) (4/1/68) | 2793.80 | 2817.24 | 2834.11 | 2834.61 | 2884.80 (18/12/89) | 2366.91 (6/1/89) |
| 2nd Section (4/1/68) | 4009.22 | 3962.47 | 3948.78 | 3939.21 | 4009.22 (10/1/90) | 2774.38 (27/3/89) |
| **MALAYSIA** | | | | | | |
| KLSE Composite | 567.83 | 583.30 | 583.47 | 582.58 | - | - |
| **NETHERLANDS** | | | | | | |
| CBS Ttl Rtn Gen (End 1983) | 261.5 | 263.5 | 261.1 | 262.2 | 272.7 (21/9/89) | 208.3 (3/1/89) |
| CBS All Shr (End 1983) | 200.6 | 202.1 | 200.3 | 201.1 | 210.5 (8/9/89) | 166.7 (1/3/89) |
| **NORWAY** | | | | | | |
| Oslo SE (2/1/83) | 737.04 | 734.29 | 730.75 | 731.16 | 737.04 (10/1/90) | 467.17 (2/1/89) |
| **PHILIPPINES** | | | | | | |
| Manila Comp (2/1/85) | 1120.23 | 1121.70 | 1127.39 | 1124.19 | 1396.26 (20/11/89) | 804.62 (6/2/89) |
| **SINGAPORE** | | | | | | |
| SES All-Singapore | 432.80 | 430.03 | 429.62 | 426.17 | - | - |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | 2157.08 | 2166.0 | 2213.0 | 2095.0 | 2254.0 (12/12/89) | 1291.0 (15/2/89) |
| JSE Industrial (28/9/78) | 2975.04 | 2967.0 | 2933.0 | 2892.0 | 2975.0 (10/1/90) | 1961.0 (3/1/89) |
| **SOUTH KOREA**** | | | | | | |
| Korea Comp Ex. (4/1/80) | 911.47 | 920.21 | 919.46 | 915.11 | 1007.80 (3/4/89) | 844.75 (11/12/89) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 297.22 | 298.41 | 298.23 | 299.21 | 328.93 (13/9/89) | 268.61 (1/3/89) |
| **SWEDEN** | | | | | | |
| Jacobson & P (31/12/56) | 4561.9 | 4542.8 | (u) | 4449.5 | 4660.3 (16/8/89) | 3333.9 (3/1/89) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | 781.7 | 777.3 | 776.3 | 775.6 | 829.1 (6/9/89) | 613.1 (3/1/89) |
| **TAIWAN**** | | | | | | |
| Weighted Price (30/6/66) | 9868.82 | 9805.40 | 9964.72 | 9862.42 | 10773.11 (25/9/89) | 4873.01 (5/1/89) |
| **THAILAND** | | | | | | |
| Bangkok SET (30/4/75) | 912.18 | 909.95 | 906.71 | 918.67 | 918.67 (5/1/90) | 386.73 (2/1/89) |
| **WORLD** | | | | | | |
| M S. Capital Intl. (1/1/70) | (u) | 563.2 | 568.0 | 566.4 | 571.0 (4/1/90) | 487.6 (13/6/89) |

**Saturday Jan. 6: Taiwan Weighted Price 9927.06 Korea Comp Ex. 912.86
& Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

### TOKYO - Most Active Stocks

Wednesday January 10 1990

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Dainippon Scrn | 11.2m | 1,850 | +90 | Tokyo Style | 6.9m | 2,780 | 0 |
| Showa Almnium | 8.9m | 1,200 | +80 | Nissin Electrc | 6.2m | 1,550 | +80 |
| Kawasaki Steel | 8.0m | 782 | –5 | Sanyo Electrc | 6.1m | 1,030 | 0 |
| Honshu Paper | 7.9m | 1,630 | 0 | MHI | 5.9m | 1,110 | –40 |
| Marubeni | 7.3m | 1,040 | –40 | Nikon | 5.6m | 1,620 | +20 |

*3pm prices January 10*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | - A - A - A - | | | | | | | | |
| 37½ | 24 | AAR | .38 | 1.4 | 21 | 87 | 35 | 34¾ | 35 | -⅛ |
| 9⅝ | 8½ | ACM n | 1.01 | 11 | | 141 | 9½ | 9⅜ | 9½ | |
| 11⅝ | 10½ | ACMIn | 1.26 | 11 | | 313 | 11¼ | 11⅛ | 11¼ | |
| 9⅞ | 8 | ACMM n | 1.01 | 11. | | 229 | 9¼ | 9 | 9⅛ | +⅛ |
| 11½ | 10 | ACM Sc | 1.25 | 11. | | 970 | 11¼ | 11⅛ | 11⅛ | -⅛ |
| 9⅜ | 8¾ | ACMSp | 1.01 | 11. | | 709 | 9¼ | 9⅛ | 9⅛ | -⅛ |
| 19⅝ | 11½ | AL Lab | .18 | .9 | 18 | 478 | 18⅞ | 18⅝ | 18⅝ | -⅜ |
| 4⅛ | 3⅛ | AMCA | .12e | 3.3 | 9 | 6 | 3¾ | 3⅝ | 3⅝ | |
| 6⅛ | 3⅞ | AM Intl | | | 6 | 960 | 4 | 3⅞ | 3⅞ | -⅛ |
| 23½ | 16⅝ | AM In pf | 2 | 11. | | 26 | 18½ | 18⅜ | 18½ | +⅛ |
| 107¼ | 52⅛ | AMR | | | 7 | 4516 | 57⅞ | 56 | 56¼ | -1⅛ |
| 6¼ | 3⅛ | ARX | | | | 74 | 3½ | 3⅜ | 3⅜ | -⅛ |
| 59¼ | 38¼ | ASA | 3e | 5.1 | | 1915 | u59⅛ | 58 | 59¼ | +2 |
| 33¼ | 16¼ | AVX | .24 | .7 | 33 | 5909 | u34⅜ | 34 | 34⅜ | +1¼ |
| 70⅜ | 46¼ | AbtLab | 1.40 | 2.1 | 18 | 2259 | 68¼ | 67¼ | 67⅝ | -⅛ |
| 18¾ | 11⅞ | Abitibi g | .50 | | | 133 | 11½ | 11½ | 11½ | -⅛ |
| 13 | 9¾ | AcmeC | .40 | 3.6 | 14 | 386 | 11½ | 11¼ | 11¼ | -¼ |
| 9⅜ | 6 | AcmeE | .32 | 3.5 | 12 | 7 | 9¼ | 9⅛ | 9¼ | |
| 38½ | 22 | Acuson | | | 20 | 2261 | 30⅜ | 29⅞ | 29⅞ | -⅜ |
| 16½ | 12⅞ | AdaEx | 2.06e | 13. | | 102 | 16¼ | 16⅛ | 16⅛ | |
| 15⅜ | 6½ | Adobe | | | | 135 | 13 | 12⅞ | 13 | +⅛ |
| 20¼ | 16½ | Adob pf | 1.84 | 9.8 | | 4 | 19⅛ | 19 | 19⅛ | |
| 21⅝ | 18⅞ | Adob pf | 2.40 | 11. | | 3 | 21⅛ | 21⅛ | 21⅛ | -⅛ |
| 10½ | 7⅛ | AMD | | | | 5837 | 7¾ | 7⅝ | 7¾ | |
| 35 | 28½ | AMD pf | 3 | 10. | | 2 | 29¾ | 29¾ | 29¾ | |
| 10⅜ | 6⅝ | Advest | .16 | 2.2 | 10 | 59 | 7⅜ | 7¼ | 7¼ | -⅛ |
| 62½ | 46¾ | AetnLf | 2.76 | 4.8 | 8 | 3888 | 58⅛ | 56½ | 56½ | -1½ |
| 14 | 11 | AffilPb | .24 | 2.1 | | 890 | 11⅝ | 11¼ | 11½ | -⅛ |
| 25 | 16⅛ | Ahmans | .88 | 4.9 | 9 | 3566 | 18⅝ | 17¾ | 17⅞ | -⅝ |
| 3⅞ | 2¼ | Aileen | | | | 5 | 2⅜ | 2⅜ | 2⅜ | |
| 50¼ | 40 | AirPrd | 1.32 | 2.7 | 12 | 1519 | 49⅞ | 49⅛ | 49⅛ | -⅜ |
| 39⅝ | 21½ | AirbFrt | .60 | 1.6 | 19 | 396 | 37 | 36½ | 36⅝ | -½ |
| 25⅛ | 15⅛ | Airgas | | | 11 | 132 | 19⅛ | 19 | 19⅛ | |
| 20⅜ | 16¾ | Airlease | 2.40 | 12. | 11 | 26 | 19¾ | 19⅝ | 19¾ | |
| 10¼ | 8½ | AlaP | dpf.87 | 9.1 | | 30 | 9⅝ | 9⅝ | 9⅝ | -⅛ |
| 98⅝ | 88¼ | AlaP pf | 9 | 9.3 | | z1000 | 97 | 97 | 97 | -⅛ |
| 91 | 80⅞ | AlaP pf | 8.28 | 9.2 | | z440 | 90¼ | 90 | 90 | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Continued on Page 37

مكتاحة الأصل



# NYSE COMPOSITE PRICES

Continued from previous Page

[illegible]

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | – X–Y–Z – | | | | | | | | |
| 60 | 54½ | Xerox | 3 | 5.3 | 15 | 1245 | 57½ | 56¾ | 56⅞ | – ⅜ |
| 44¼ | 23½ | XTRA | .72 | 2.7 | 22 | 38 | 27 | 26⅞ | 26⅞ | + ⅛ |
| 33 | 21¼ | XTRA pf1.94 | | 8.3 | | 1 | 23⅜ | 23⅜ | 23⅜ | – ⅛ |
| 4⅛ | 2 | Zapata | | | | 458 | 2⅜ | 2⅜ | 2⅜ | |
| 13 | 7⅞ | Zemex | .20 | 2.4 | | 4 | 8⅝ | 8⅜ | 8⅜ | + ⅛ |
| 21½ | 11½ | ZenithE | | | | 2558 | 13 | 12⅞ | 12⅞ | + ⅛ |
| 21½ | 16¾ | ZenNtl | .84 | 4.5 | 8 | 9 | 18½ | 18½ | 18½ | – ⅛ |
| 10 | 6½ | Zenix | 1.20 | 16. | | 70 | 7½ | 7⅜ | 7⅜ | – ⅛ |
| 18½ | 13⅞ | Zero s | .40 | 2.4 | 16 | 213 | 17 | 16½ | 16½ | – ½ |
| 44⅛ | 25¾ | Zurnin | .76 | 1.8 | 20 | 738 | 43⅛ | 41½ | 41⅞ | –1⅜ |
| 12⅝ | 10 | Zweig | 1.21e | 9.9 | | 416 | 12¼ | 12⅛ | 12¼ | + ⅛ |
| 9⅞ | 8¾ | ZweigTl | .95 | 9.7 | | 2470 | u10 | 9⅞ | 9⅞ | |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE PRICES

3pm prices January 10

[illegible]



# NASDAQ NATIONAL MARKET

3pm prices January 10

[illegible]

FINANCIAL TIMES

Thursday January 11 1990

AMERICA

# Programme trading pummels Dow again

## Wall Street

HAVING SHOWN some resilience early yesterday, share prices dropped sharply towards midsession, partly because of a wave of programme selling, *writes Janet Bush in New York.*

The Dow Jones Industrial Average had suffered early losses and then bounced back to stand a little higher in morning trading. However, the index fell suddenly towards noon and at 2 pm was quoted 23.25 points lower at 2,742.75. Volume was moderately active, with 107m shares changing hands by midsession.

The broad-based Standard & Poor's 500 index was also sharply lower, falling 3.60 to 346.02 at noon, reflecting a wave of stock index arbitrage selling.

Among other key indices, the American Stock Exchange Index was 2.36 points down at 378.08 and the Nasdaq Composite was badly hit, falling 5.36 by midsession to 451.41.

The sell-off extended the sharp losses made on Tuesday, which were also related to programme trading, when the Dow fell 28.37 to 2,766.00.

The selling did not end this week's rally in single-country, closed-end mutual funds. The popular Germany Fund jumped another $2¼ to $23 at midsession and the Brazil Fund added $1⅛ to $14⅞, proving that the euphoria is not confined to Europe.

Yesterday's broad selling came against a background of concern about the economy, inflation and interest rates. Both the equity and bond markets are waiting for tomorrow's release of December producer prices amid expectations that there will be hefty increases in the Producer Price Index in December and again in January.

The conventional wisdom on Wall Street is that upward pressure on prices, combined with a stronger economy than most had envisaged, will prevent the US Federal Reserve from easing monetary policy any further.

There is also mounting concern in the equity market about fourth quarter corporate earnings, as the results season gets under way. Investors remember how vulnerable the market was to poor third quarter announcements.

A hint of what might emerge came from Delta Airlines. A spokesman confirmed that results for the December quarter would be below earlier expectations partly because of higher-than-expected fuel costs.

Morgan Stanley dropped its earnings estimates for four airline stocks: Delta, UAL, AMR and Southwest Airlines. Delta was $2 lower at $66⅞, AMR slipped $1 to $56⅜ and Southwest fell $⅜ to $22⅜. UAL, in contrast, added $⅜ to $164⅜ amid reports that the management and unions of United Airlines were having another shot at putting together a buy-out of the airline.

Precious metals stocks bucked declines in the broad market, reflecting a strong gold price. Newmont Gold rose $1⅛ to $52⅜, Battle Mountain Gold added $⅜ to $17⅜ and Homestake Mining gained $⅜ to $20⅜.

Among featured individual stocks, Ames Department Stores dropped $⅜ to $8⅜. The company said that it expected to post a loss for the fiscal year ending this month and would cut 85 jobs in its corporate offices.

GenRad, manufacturer of electronic test and measurement equipment, dipped $½ to $4⅜ after the company said that it expected a loss of $2m to $3m in the fourth quarter and a loss in the first quarter.

In over-the-counter trading, Profit Systems gained $1½ to $10½ on news that LEP Group had agreed in principle to acquire stakes totalling 10.5 per cent, now owned by the company's chairman and a director, for $12 a share.

## Canada

ATTEMPTS to rally from a moderate decline in Toronto stocks encountered resistance by midsession yesterday. A weaker Wall Street depressed the market, with only gold stocks making gains.

The composite index fell 17.0 to 3,935.3 on volume of 22m shares. Declines led advances by 249 to 207.

Gold stocks remained strong, with Lac Minerals rising C$⅛ to C$14⅜, Corona gaining C$⅜ to C$10⅜ and Placer Dome climbing C$⅜ to C$22⅜.

# Computer difficulties frustrate Amsterdam

## Laura Raun explains the technological threat to the bourse's competitive edge

CHRONIC computer problems are threatening to hurt the Amsterdam Stock Exchange's reputation and undermine efforts to make the Dutch capital a financial gateway to Europe.

Stock exchange trading has been halted three times in as many months – most recently, last Monday – due to failures in the two-year-old computer system. Frustrated market players worry that if it happens again investors' confidence could be badly shaken, perhaps sending them elsewhere, and Amsterdam's competitive edge would be dulled.

"It makes Amsterdam look provincial," lamented one stockbroker who deals with foreign institutional investors.

Exchange members note with relief that complaints were muted on the last two occasions, because trading was slow, but if the computer fails again on a busy day patience will undoubtedly wear thin.

Amsterdam's financial community is joking that the acronym for the bourse's computer system, HOS, stands for "trade-undermining system" rather than "trade-underpinning system," its correct translation. The system stops short of fully computerised trading, but automates order-placing, bookkeeping and settlement.

No one is predicting that investors will flee en masse to other markets, but London already siphons off sizeable business in Dutch government bonds and blue chip stocks, and any acceleration would hurt.

The computer system will be crucially tested in the next few months with the introduction of fixed-day settlement, an open-order book system for bonds and automated reporting of deals of the Amsterdam Interprofessional Market (AIM), the bloc trading system.

The Stock Exchange expresses confidence that things will go smoothly, because the causes of the computer outages have been found. On Monday, a loose electrical connection was blamed for the breakdown.

On December 29, when trading was limited to 45 minutes, it was due to a software mistake which had been injected during a recent programme adjustment. In last October's global mini-crash, a flood of orders overwhelmed the computer capacity.

Since then, capacity has been increased so that 100,000 transactions a day – three to four times the average – can be handled, explains Mr Gerrit de Marez Oyens, general secretary of the exchange. That has been achieved mostly through more selective use of existing capacity, but further expansion is being contemplated.

The Exchange refuses to say how much it is investing in additional computer capacity on top of the Fl 30m ($15.8m) spent in 1988, when the system was installed. The software was acquired from the Midwest Stock Exchange in Chicago and adapted for Amsterdam, while the hardware came from Digital Equipment of the US.

Floor members were less than enthusiastic about the HOS system when it was launched and some are grumbling now that they should go back to paper and pencil. Open outcry trading with chalk and blackboard returned for a few days to Brussels last October, when the new computer trading system there broke down under a flood of orders.

However, other critics of the Dutch system have argued that it is too modest and cheap.

What is clear is that technology and infrastructure are becoming vital weapons in stock exchanges' efforts to ensure reliability and credibility.

Sophisticated computers are no longer a luxury, but a necessity, as competition heightens from other bourses and from electronic trading networks spanning the globe.

> If the system fails again on a busy day, investors' patience will no doubt wear thin

ASIA PACIFIC

# Nikkei declines as jumpy investors take profits

## Tokyo

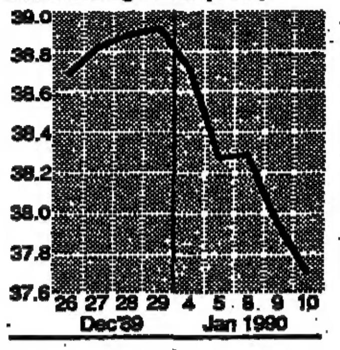
FURTHER weakness in the yen and a fall in bond prices triggered profit-taking in Japanese equities yesterday, while rumours of more political instability abroad added to the bearish mood, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average finished with a substantial loss of 254.95 to 37,696.51, after falling earlier to a low of 37,460.29. The day's high was 37,927.63. The 37,000 level is generally expected to be the bottom of the present correction.

Declines far outnumbered advances by 595 to 347, and 185 issues were unchanged. Turnover was again very thin at 554m shares, up only moderately from the 543m traded on Tuesday. The Topix index of all listed shares lost 23.44 to 2,793.80, but in London, the ISE/Nikkei 50 index rose 7.83 to 2,100.54.

**Tokyo**

Nikkei average index (000's)




After the close, the Tokyo Stock Exchange said it would ease margin requirements from today.

Profit-taking hit a wide range of sectors and equity futures prices also came under pressure. The overnight fall on Wall Street added to the gloom.

The market was jumpy and easily affected by rumours; yesterday, the story doing the rounds and adding to the nervousness was that the Soviet President, Mr Mikhail Gorbachev, had resigned. It was the second rumour involving the Soviet Union to trigger an over-reaction in the market in four days, indicating its extreme sensitivity to the Soviet political situation and the extent to which the mood has soured.

The continued low level of volume indicated that many investors were putting things on hold, however, rather than rushing to sell. At the same time, it was thought that the decline was exaggerated by selling in smaller-sized issues which feature in the 225-share Nikkei average and prices of which tend to be more volatile.

The shift from large capital and interest-rate sensitive issues to smaller stocks with quick price movements was evident. The two most active stocks were Dainippon Screen and Showa Aluminium, both of which saw hefty gains. Dainippon, with a volume of 11.2m shares, added Y60 to Y1,850, while Showa Aluminium, with 8.9m shares, increased Y80 to Y1,200.

High-priced issues which offered quick gains and which had not been targeted in the year-end rally were also chased. Fuji Photo Film gained Y130 to Y4,630 and TDK rose Y260 to Y6,020.

Laggards that were unaffected by the weak yen and inflationary pressures were also favoured. Pharmaceuticals, for example, saw considerable gains, with Dainippon Pharmaceutical rising Y90 to Y2,840 and Daiichi Seiyaku adding Y70 to Y2,850.

Osaka showed a similar shift away from heavily capitalised issues to smaller, high-priced stocks. The OSE average lost 166.78 to 38,618.57 on very low volume of 46.8m shares, down from Tuesday's 48m.

## Roundup

POLITICS in Communist China vied with financial uncertainty in Taiwan yesterday as the leading influences on share prices in the Pacific Basin.

HONG KONG accelerated its rally, but put the brake on volume as the Hang Seng index jumped 45.84, or 1.6 per cent, to 2,868.00 in anticipation of news later yesterday that the Chinese had lifted martial law in Peking, more than seven months after its imposition.

Turnover fell to HK$681m from HK$1.1bn; Tuesday's figure had been inflated by the unwinding of a cross-holding between Allied Properties and Tomson Investment, but yesterday's was only a little better than half the daily average of last year.

Properties were sharply higher, with the sub-index up 2.2 per cent. Cheung Kong rose 30 cents to HK$9.90, Hongkong Land 15 cents to HK$8.20 and New World Development 40 cents to HK$10.70. The rally was also attributed to Taiwanese investors buying blue chips.

TAIWAN staged a minor recovery, this time in the last 30 minutes after news that the Hung Yuan group, the island's biggest underground investment house, was suspending money withdrawal, interest payments and salary payments for two months because of financial problems.

The weighted index, which fell 159.32 on Tuesday, lost another 210.39 until the last half hour yesterday, before recovering to finish at 9,868.82, 63.42 higher. Volume was 694m shares and NT$108bn compared with 792m and NT$120bn previously. The fact that Hung Yuan had not collapsed completely, as feared, was regarded with some relief.

Moreover, the company's influence on the market was said to be diminishing. According to local newspapers, Hung Yuan currently had stocks valued at nearly NT$10bn in the market, much less than the NT$30bn of last July.

SINGAPORE shrugged off a bout of early profit-taking and the Straits Times industrial index rose 13.04 to 1,569.52. The session's most active counters, once again, were Malaysian second-liners. Volume rose to 145m shares and S$267m from 128m and S$232m.

KUALA LUMPUR saw turnover decline from 121m shares to 106m as the KLSE index hit a record of 587.83, up 4.53.

AUSTRALIA featured a rise by BHP of 6 cents to A$9.78, as it led volume with 3.2m shares on the news that it might sell its A$886m stake in Woodside Petroleum. The All Ordinaries index fell 0.9 to 1,689.7.

NEW ZEALAND fell for the fifth consecutive trading day, the Barclays index losing 6.69 to 1,998.40 for a fall of 4 per cent since last Thursday.

SOUTH AFRICA

CAUTIOUS TRADING left Johannesburg quietly mixed after Monday's gains and Tuesday's retreat. The financial rand's continued volatility added to nervousness.

EUROPE

# Focus switches to bids and deals

BIDS, deals and speculation gave leading bourses what impetus they had yesterday, while Nordic markets maintained their buoyant form, *writes Our Markets Staff.*

FRANKFURT moved from the general to the particular, as the bourse closed broadly lower on lack of a new Japanese initiative, and Siemens came in with the expected bid for control of the troubled Nixdorf computer group.

Profit-taking left the FAZ index 8.62 lower at 767.44 at midsession, and the DAX down 26.31 at 1,839.63 at the close. Volume came back from DM12.9bn to DM10.7bn.

Nixdorf was suspended pending the Siemens announcement but Siemens itself, with a DM3.30 decline to DM737.50, showed relative strength on the deal, which could involve merging Nixdorf with its own information systems division and ending with 70 to 80 per cent of the votes in the surviving company.

Mannesmann, which had been seen as an alternative bidder, recovered DM5 after the news, closing a net DM4.50 lower at DM358. Nixdorf itself fell DM23 to DM292.50 over Monday and Tuesday.

Elsewhere, blue chips led the day's slide with Daimler and Volkswagen prominent, and Deutsche Bank easing DM4.50 to DM553 – unexpectedly, after a sharp rise in Tokyo. Karstadt, the retailer, fell DM19 to DM676 after reporting a 4.1 per cent rise in 1989 sales.

AMSTERDAM weakened as the internationals followed Wall Street lower, but some individual stocks continued to show gains on corporate news. The CBS tendency index was off 0.6 at 118.3 in moderate turnover of Fl 758m.

DSM, the chemical stock, rose Fl 2.60 to Fl 118.90 after an unexpectedly generous increase in its 1989 dividend from Fl 4.80 to Fl 8.

Publishers performed well for a second day, following the decision by VNU and Elsevier to take a 33 per cent stake in a commercial television station. VNU, whose magazine advertising is seen as vulnerable to television, rose Fl 2 to Fl 113.50 as it is expected to benefit particularly from the diversification.

Wessanen, the food company, rose Fl 1.30 to Fl 64.60 in active trading on speculation that it might be a takeover target, although Unilever, a rumoured bidder, denied that it planned acquisitions in the Dutch food sector. Pakhoed, the trading and storage company, added Fl 2.30 to Fl 153 on expectations that its oil storage business will benefit from the recent rise in crude prices.

PARIS followed a similar pattern to Tuesday, recovering from early weakness to end a fraction better. The market was subjected to conflicting influences: the franc held steady against the D-Mark and short-term rates eased, but Wall Street and Tokyo were both down overnight.

The CAC 40 index closed 0.10 higher at 1,970.38 in trading volume estimated at FFr2.5bn, after FFr2.4bn on Tuesday.

Although the market was generally quiet and uncertain, there was fairly heavy turnover in blue chips such as Suez, up FFr10.90 at FFr454.90 following a buy recommendation from a British securities firm.

MILAN saw banks up and the insurance sector down. Proposals to bring Italy in line with other European countries ahead of foreign exchange liberalisation on July 1 include reduced tax on bank deposit interest, and the introduction of a capital gains tax which could bear on the insurers' prospects.

The Comit index rose 2.80 to 705.63 in active trading. BCI rose L165 to L5,435 and Generali, Italy's leading insurance company, fell L350 to L41,950.

MADRID eased for a fourth day, pulled down again by the banking sector, and the general index shed 1.19 to 297.22.

STOCKHOLM hung on to Tuesday's gains, with the market showing little reaction to the Government's 1990/91 budget, which highlighted economic problems such as high wage rises and a growing current account deficit.

The Affärsvärlden General index added 0.8 to 1,315.6 on turnover which stayed busy at SKr468m, although down from the previous day's SKr646m.

The forestry sector, which consumes large quantities of electricity, continued to strengthen after the Cabinet reshuffle on Tuesday, which suggested a softening of the Government's anti-nuclear power policy. MoDo, the paper and pulp group, rose SKr25 to SKr335.

Profit-taking left some stocks lower, with Ericsson free B shares down SKr13 at SKr930 and Asea free Bs SKr30 lower at SKr780.

HELSINKI made healthy gains in active trading, especially in restricted shares. The Unitas all-share index rose 7.4, or 1.2 per cent, to 617.7. The most active issue was Wartsila's series II restricted stock, which gained FM7 to FM280.

OSLO rose to an all-time high, passing the previous record set on January 4, on optimism about higher oil prices and the Norwegian economy. The all-share index gained 2.12 to 565.20 in fairly active volume of NKr425m, down from Tuesday's NKr480m.

COPENHAGEN advanced to another record, with buying focusing on laggards and small companies. The bourse index gained 2.52 to 367.31. Among the best improvements was a DKr15 gain by Kansas, the clothing producer, to DKr475.

VIENNA extended its rally, with the bourse index rising 4.4 to 593.54, another record, in spite of profit-taking. Trading was extended by 10 minutes to cope with the heavy turnover, with both foreign and local investors participating.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | TUESDAY JANUARY 9 1990 | | | | | | MONDAY JANUARY 8 1990 | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of stocks per grouping | US Dollar Index | Day's Change % | Pound Sterling Index | Local Currency Index | Day's change % local currency | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Local Currency Index | 1989/90 High | 1989/90 Low | Year ago (approx) |
| Australia (84) | 154.79 | −0.5 | 138.74 | 130.90 | −0.6 | 5.21 | 155.52 | 139.45 | 131.63 | 160.41 | 128.28 | 148.20 |
| Austria (19) | 216.06 | +2.5 | 193.67 | 188.62 | +3.2 | 1.29 | 210.84 | 189.05 | 182.86 | 216.06 | 92.84 | 94.47 |
| Belgium (61) | 158.54 | −0.4 | 142.11 | 137.82 | +0.2 | 4.06 | 159.17 | 142.72 | 137.58 | 159.17 | 125.58 | 132.50 |
| Canada (120) | 151.88 | −0.4 | 136.14 | 127.69 | −0.3 | 3.13 | 152.46 | 136.70 | 128.08 | 154.17 | 124.67 | 128.34 |
| Denmark (36) | 246.81 | +0.0 | 221.23 | 216.87 | +0.5 | 1.44 | 246.77 | 221.25 | 217.74 | 246.81 | 165.35 | 157.17 |
| Finland (26) | 137.32 | +0.0 | 123.09 | 114.93 | +0.1 | 2.70 | 137.30 | 123.11 | 114.85 | 159.16 | 118.63 | 127.67 |
| France (125) | 155.61 | −0.5 | 139.48 | 139.86 | +0.2 | 2.69 | 156.40 | 140.23 | 139.59 | 157.97 | 112.57 | 115.52 |
| West Germany (98) | 130.18 | +0.5 | 116.69 | 113.84 | +1.2 | 1.84 | 129.58 | 116.19 | 112.44 | 130.18 | 79.56 | 86.73 |
| Hong Kong (48) | 116.58 | +0.1 | 104.49 | 116.90 | +0.1 | 4.88 | 116.51 | 104.47 | 116.85 | 140.33 | 86.41 | 118.26 |
| Ireland (17) | 195.06 | −0.8 | 174.84 | 175.34 | +0.0 | 2.48 | 196.69 | 176.36 | 175.35 | 196.69 | 125.00 | 125.00 |
| Italy (96) | 101.24 | −0.6 | 90.74 | 95.06 | +0.0 | 2.40 | 101.86 | 91.34 | 95.07 | 101.86 | 74.97 | 84.21 |
| Japan (455) | 190.85 | −1.5 | 171.07 | 175.17 | −0.7 | 0.46 | 193.71 | 173.69 | 176.39 | 200.11 | 164.22 | 195.51 |
| Malaysia (36) | 233.95 | −0.1 | 209.70 | 243.68 | −0.1 | 2.20 | 234.29 | 210.08 | 243.81 | 235.69 | 143.35 | 148.57 |
| Mexico (13) | 334.27 | −0.1 | 299.62 | 981.65 | −0.1 | 0.53 | 334.64 | 300.05 | 982.74 | 334.64 | 153.32 | 159.72 |
| Netherland (43) | 144.07 | +0.0 | 129.14 | 124.87 | +0.8 | 4.27 | 144.06 | 129.17 | 123.87 | 145.66 | 110.63 | 110.63 |
| New Zealand (18) | 74.15 | −0.4 | 66.46 | 65.09 | −1.3 | 5.41 | 74.44 | 66.74 | 65.97 | 88.18 | 62.84 | 69.92 |
| Norway (24) | 214.62 | −0.1 | 192.37 | 189.71 | +0.2 | 1.44 | 214.74 | 192.56 | 189.24 | 214.74 | 139.92 | 150.47 |
| Singapore (26) | 188.82 | +0.7 | 169.25 | 165.28 | +1.0 | 1.79 | 187.46 | 168.08 | 163.70 | 188.82 | 124.57 | 132.45 |
| South Africa (60) | 201.30 | −3.0 | 180.43 | 162.67 | −0.5 | 3.48 | 207.47 | 186.03 | 163.42 | 207.47 | 115.35 | 116.89 |
| Spain (43) | 162.15 | −1.0 | 145.34 | 135.18 | −0.1 | 3.90 | 163.85 | 146.92 | 135.33 | 169.75 | 143.14 | 145.90 |
| Sweden (35) | 206.95 | +1.3 | 185.51 | 187.96 | +1.4 | 1.82 | 204.29 | 183.17 | 185.38 | 206.95 | 138.45 | 145.88 |
| Switzerland (62) | 97.07 | +0.2 | 87.01 | 91.87 | +0.4 | 1.94 | 96.90 | 86.89 | 91.52 | 97.07 | 87.61 | 77.41 |
| United Kingdom (306) | 164.31 | +0.2 | 147.28 | 147.28 | +0.2 | 4.27 | 163.94 | 146.99 | 146.99 | 164.31 | 133.28 | 135.02 |
| USA (542) | 141.59 | −1.1 | 126.92 | 141.59 | −1.1 | 3.31 | 143.17 | 128.33 | 143.17 | 146.20 | 112.13 | 114.18 |
| Europe (989) | 146.66 | +0.1 | 131.46 | 130.32 | +0.4 | 3.26 | 146.59 | 131.44 | 129.75 | 146.66 | 112.63 | 113.89 |
| Nordic (121) | 197.02 | +0.6 | 176.60 | 169.61 | +0.9 | 1.68 | 195.84 | 175.60 | 168.14 | 197.02 | 137.65 | 141.88 |
| Pacific Basin (667) | 186.75 | −1.4 | 167.40 | 171.25 | −0.7 | 0.71 | 189.41 | 169.83 | 172.40 | 194.72 | 160.44 | 190.40 |
| Euro-Pacific (1656) | 170.92 | −0.9 | 153.21 | 154.55 | −0.3 | 1.50 | 172.49 | 154.65 | 155.39 | 174.18 | 141.56 | 159.75 |
| North America (662) | 142.11 | −1.1 | 127.38 | 140.72 | −1.1 | 3.30 | 143.63 | 128.78 | 142.22 | 146.66 | 112.79 | 114.94 |
| Europe Ex. UK (683) | 134.57 | −0.1 | 120.63 | 119.91 | +0.6 | 2.59 | 134.66 | 120.74 | 119.19 | 134.66 | 96.30 | 100.48 |
| Pacific Ex. Japan (212) | 137.44 | −0.2 | 123.19 | 122.35 | −0.3 | 4.72 | 137.72 | 123.49 | 122.70 | 140.05 | 111.93 | 129.29 |
| World Ex. US (1849) | 170.65 | −0.9 | 152.97 | 154.36 | −0.3 | 1.67 | 172.22 | 154.42 | 154.81 | 173.77 | 141.48 | 158.23 |
| World Ex. UK (2085) | 158.73 | −1.1 | 142.28 | 150.30 | −0.6 | 1.98 | 160.48 | 143.89 | 151.23 | 162.00 | 136.98 | 141.97 |
| World Ex. So. Af. (2331) | 158.95 | −1.0 | 142.48 | 149.69 | −0.5 | 2.17 | 160.48 | 143.89 | 150.71 | 161.84 | 136.67 | 141.49 |
| World Ex. Japan (1936) | 144.47 | −0.6 | 129.50 | 137.08 | −0.4 | 3.34 | 145.37 | 130.35 | 137.69 | 145.52 | 114.51 | 116.22 |
| The World Index (2391) | 159.21 | −1.0 | 142.71 | 149.97 | −0.5 | 2.18 | 160.76 | 144.15 | 150.79 | 162.05 | 136.68 | 141.33 |



Latest prices were unavailable for this edition.